

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>City of Marquette, Michigan</b>	County <b>Marquette</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>11/18/05</b>	Date Accountant Report Submitted to State: <b>12/23/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <b>Anderson, Tackman &amp; Company, PLC</b>			
Street Address <b>102 W. Washington, Suite 109</b>	City <b>Marquette</b>	State <b>MI</b>	ZIP <b>49855</b>
Accountant Signature <i>Debecca Hills, CPA</i>		Date <i>12/22/05</i>	

**City of Marquette, Michigan**  
Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2005

# **City of Marquette, Michigan**

## **Comprehensive Annual Financial Statement**

**Fiscal Year Ended June 30, 2005**

**City Commission  
Gerald Irby, Mayor**

**Sandra Spoelstra  
Joseph Lavey  
Stuart Bradley  
Frank Sciotto  
Tony Tollefson  
Suzanne Kensington**

**City Manager  
Gerald Peterson**

**Prepared By  
Finance and Accounting Department**

**Finance Director  
Gary Simpson**

**City of Marquette**  
**Comprehensive Annual Financial Report**  
**Fiscal Year Ended June 30, 2005**  
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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Marquette,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



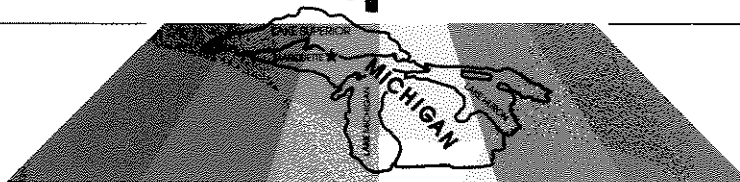
*Nancy L. Ziehl*

President

*Jeffrey R. Emer*

Executive Director

# Marquette



## the Superior location

November 18, 2005

Honorable Mayor, Members of the City Commission,  
And the Citizens of Marquette, Michigan

Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the City of Marquette, Michigan for the fiscal year ended June 30, 2005, is hereby submitted in accordance with Section 8.9 of the City Charter, State and Federal statutes. The City Charter and statutes require that the City of Marquette, Michigan issue an annual report on its financial position and activity and that this report be audited by an independent firm of certified public accountants. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. We believe the data as presented is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

### REPORTING ENTITY

The financial reporting entity (the City) includes all the funds of the primary government (i.e., City of Marquette, Michigan as legally defined), as well as all of its component units. The criterion used in determining the reporting entity is in accordance with Statement #14 by the Governmental Accounting Standards Board (GASB). Component units are legally separate entities for which the primary government is financially accountable. Blended component units (although legally separate entities) are, in substance, part of the primary government's operations and are included (blended) as part of the primary government. The City of Marquette Building Authority is included as a blended component unit because its sole purpose is to finance and construct the City's public buildings. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations, and cash flows from those of the primary government. The City of Marquette Board of Light and Power, the City of Marquette Downtown Development Authority, the Marquette Housing Commission and the Peter White Public Library are reported as discretely presented component units in this CAFR.

## **CITY PROFILE**

The City of Marquette is the county seat of Marquette County and is the largest community in Michigan's Upper Peninsula. The county contains the largest land mass out of all Michigan counties, encompassing 1,878 square miles. The City is located on the south shore of Lake Superior and is one of the oldest communities in Michigan's Upper Peninsula. Founded in 1849 with the discovery of high grade iron ore, the City has been a major port for shipping for more than 100 years. It was incorporated as a village in 1859 and as a city in 1871 under the provision of Act 279, PS 1909, as amended (Home Rule City Act).

The City provides a full range of municipal activities including: executive, elections, general services, administration, law enforcement, fire protection, protective inspection, public parks and recreation, cultural, conservation of natural resources, planning, and other functions. In addition, the City maintains four enterprise funds providing water and sewer utilities, marina services, transportation rental services, and stormwater management.

The City of Marquette is organized under the Commission-Manager form of government. The Commission consists of seven members, elected at large, who are residents of the City and qualified to vote under the constitution and laws of the State of Michigan. The members of the Commission are elected to serve staggered terms of three years with a maximum of six consecutive years. The Mayor and Mayor Pro-Tem of the City are elected annually from amongst the Commission members. The Commission appoints the City Manager and the City Attorney. All other administrative appointments are the responsibility of the City Manager.

## **ECONOMIC CONDITIONS AND OUTLOOK**

With a stable population of approximately 20,000 residents and affordable living – average annual income approximately \$30,000, median home price \$80,000, average two-bedroom apartment monthly rental cost \$400 – the City is positioned to withstand the current nation-wide economic uncertainty. The City's major employers, Northern Michigan University and Marquette General Hospital, continue to help strengthen the area economy. NMU, despite State funding cutbacks, is increasing enrollment to near record levels and MGH continues to expand which should help bring more jobs and spending to the local economy. The area's timber operations are self-sustaining and continue to provide employment and pump money into the local economy and the iron ore mines continue operations after a brief close down in the summer of 2001. The City still has room to expand in its industrial park and interest appears to be picking up in potential companies desiring to locate there. These additions will add more jobs, more spending, and added property tax base to the local economy.

The City also continues to benefit economically as a popular recreation and vacation spot as there are plenty of both summer and winter recreational activities. This past summer saw the continuation of Cruise Ships visiting the City as a regular stop on tours of the Great Lakes which will provide even greater opportunities to pump more money into the local economy. Also, through its Downtown Development Authority, the City continues to work with the downtown merchants and provide opportunities for attracting more visitors to Marquette's downtown shopping district. Current projects include adding a linear park with an out-door ice skating rink in the downtown area and to continue to

strongly support the festivals which bring in several thousands of visitors to the City each year.

Marquette continues to provide a quality of life that is difficult to match anywhere in the country. Our leadership continues to guide the future of Marquette with a proactive, visionary approach and an appreciation for cooperation and teamwork. Nearly 160 community volunteers serve on the City's 24 boards, committees, and commissions. The City will prosper and continue to be a "Superior Location" with open government leadership, a strong education system, an active business community and spirited citizen involvement.

## **FY 2005 INITIATIVES**

Some of the major themes which guided projects and initiatives for FY 2005 were as follows:

- Infrastructure Repairs, Replacements and Improvements
- Equipment and Technology Replacements and Improvements
- Development of the Founders Landing (formerly South Rail Yard) Property

In accordance with these themes, the following was accomplished in FY 2005:

- ✓ Stormwater Drainage Improvements - \$1,322,913
- ✓ Water/Sewer System Improvements - \$3,187,421
- ✓ Street/Road Reconstruction - \$1,231,562
- ✓ Technology and Vehicle Replacements - \$386,700
- ✓ Founders Landing Construction - \$2,309,130

## **PLANNING FOR THE FUTURE**

Key components of the City Commission approved Strategic Plan for FY 2005 were:

- ⇒ Develop our Master Plan to incorporate our vision concepts.
- ⇒ Maintain our leadership role in infrastructure development and improvements.
- ⇒ Continue to foster regionalism.

### **#1) Develop our Master Plan to incorporate our vision concepts.**

- Develop a vision using the vision concepts collected from area residents, boards, committees, and commissions.
- Waterfront Plan from Hawley Street to the City Limits.
- Other issues to be addressed are: Hospital Zone, Site Plan Review, North and South McClellan Avenue, Railroad Properties, Seventh Street Extended, Iron Bay Business Park and Shoreline Erosion, Trail System (motorized and non motorized), and Pilings Re-use.

### **#2) Maintain our leadership role in infrastructure development and improvements.**

- Undertake major and local street reconstruction projects.
- Work toward having overhead utilities converted to underground.
- Monitor Wastewater Treatment Plant.

- Evaluate clearing the median of utilities, signs, and trees during major street reconstruction and renovation projects.
- Conduct an over all evaluation of park facilities and uses for best utilization.

### **#3) Continue to foster regionalism.**

- Partner with others to complete a demographic assessment.
- Continue to address senior and recreation issues from a regional perspective.

Plans beyond FY 2005 will continue to emphasize the major themes of aggressive infrastructure improvement, technology enhancement, and maintenance of currently operating facilities with an even stronger emphasis on the waterfront and downtown areas.

## **FINANCIAL INFORMATION – THE NEW REPORTING MODEL FORMAT**

The Format of the report using the GASB Statement 34 guidelines is significantly different from prior years. This is the third year that the City has prepared the comprehensive annual financial report using the new reporting model format. The objective of the new model is to increase accountability of the City by providing more useful information to a wider range of users. A few of the more significant changes include:

- ❖ The financial information has been moved from the transmittal letter to the ‘Management Discussion and Analysis’ (MD&A). This provides a more in-depth review and discussion of the City’s financial position. GASB Statement 34 provides very specific guidance for topics that must be covered in the MD&A. Unlike the transmittal letter, the MD&A is reviewed by the auditors. Most readers will read this section first. Many of the key financial topics are covered by the MD&A. The MD&A can be found immediately after the auditor’s opinion letter.
- ❖ For the first time, entity wide statements are presented on a full accrual basis of accounting. Streets, bridges, and sidewalks have been included in the Statement of Net Assets as capital assets. Capital assets are depreciated. Long-term debt has been reported. The full accrual method is better for addressing overall operating results and financial position of the City as an economic entity.
- ❖ In the basic financial statements, individual fund activity is disclosed for ‘major’ funds. Nonmajor funds are combined in one column. Reporting by major fund helps readers’ focus attention on the big picture items. As in prior years, the statements for governmental activities are reported on a modified accrual basis. This means that all non-entity wide statements require reconciliation schedules to the entity wide statements.
- ❖ Because of the different basis of accounting (full accrual vs. modified accrual), numbers will not easily trace to the entity wide statements without the reconciliation. The modified accrual basis of accounting is the traditional method used for governmental activities. The modified accrual method provides an easier framework for budgeting and controlling expenditures.

## OTHER FINANCIAL INFORMATION

**Risk Management** – The objective of risk management is to provide maximum quality protection to the City's assets, employees and the public at the lowest possible cost. Various risk control techniques, including employee accident prevention training, have been implemented to minimize accident-related losses. The City is constantly evaluating its risk management practices seeking to improve its safety and loss control functions, insurance placement, and financing practices.

As of July 1, 1997 the City of Marquette initiated a comprehensive risk management program with the Michigan Municipal Liability & Property Pool for general liability, public official's errors and omissions, police professional liability, personal injury and broadcaster liability, and automotive liability insurance. The Michigan Municipal Liability Workmen's Compensation Pool is used for employee injury claims. Both of these are risk sharing pools whereby member premiums are used to pay member claims in excess of deductibles and to purchase commercial excess insurance coverage.

**Cash Management** – Pursuant to the cash management policy of the City, cash temporarily idle during the year was invested in those investments authorized by law and included certificates of deposit, demand savings accounts, and securities sold by the United States government or its agencies and State approved municipal trust funds. The City invests all funds' cash, with maturities planned to coincide with cash needs utilizing the pooled cash concept whenever possible. Any cash available for longer term investing is reviewed by the Investment Advisory Board which meets quarterly. The Board of Light and Power Electric Utility Fund has separate cash management and investing practices apart from all other City funds. The operations of the Light and Power Utility are administered by an elected Board.

The City of Marquette's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Detailed information is presented in Footnote B, which classifies levels of risk for deposits and investments.

**Pension Benefits** – The City provides retirement benefits to its employees through one of three different plans. The Pension Funded Ratio (PFR) of the Actuarial Accrued Liability measures the progress of the systems in accumulating benefits when due.

Qualified employees of the Fire and Police Departments are included in a single-employer public employee retirement system under the guidelines of Public Act 345 and is accounted for as a Pension Trust Fund. As of December 31, 2004, this plan had a PFR of 110%, down from the December 31, 2003 PFR of 118%.

Qualified Senior and Middle Management employees are included in a defined contribution plan. This plan had no unfunded liabilities as of December 31, 2004.

All other qualified employees are included in an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. As of December 31, 2004, this plan had a PFR of 85%, down slightly from the PFR of 87% of December 31, 2003.



## OTHER INFORMATION

**Independent Audit** – The City Charter requires an annual audit of the accounts, financial records, and transactions of all administrative departments of the City by an independent certified public accountant selected by the City Commission. This requirement has been completed and the independent auditor's report has been included in this report.

**Awards** – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Marquette, Michigan for its comprehensive annual financial report for the fiscal year ended June 30, 2004. This is the 19<sup>th</sup> consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.


A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Other awards recently presented to the City include: All American City designation for Marquette County, Cool City designation from the Governor, Governor's Council on Physical Fitness, Health and Sports for Level 3 Promoting Active Communities, Tree City USA from the National Arbor Day Foundation for the past twenty-one consecutive years, Excellence in Storage from the Salt Institute for the last ten consecutive years, USEPA Region 5 Award of Excellence to the Marquette Area Wastewater Treatment Facility in 1996 and 2001, Eminent Conceptor Award and Grand Award from American Consulting Engineers Council for Excellence in Engineering for the Water Filtration Plant in 1998, Honor Award from American Academy of Environmental Engineers for Excellence in Engineering for the Water Filtration Plant in 1998, Public Awareness Award from Michigan Section AWWA in 1998, One of the best places to live and bike from Bike Magazine, named among The 100 Best Small Art Towns in America, and the Governor's Award for the Arts and Culture Center in 2004.

**Acknowledgments** – Special recognition must be extended to members of the Finance Department who assisted with the development of the Comprehensive Annual Financial Report and annual independent audit. We wish to express our appreciation to all members of the City's departments and the accounting firm of Anderson, Tackman and Company, PLC, who contributed to this preparation.

We would also like to thank the members of the Marquette City Commission for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

  
Judy Akkala  
Acting City Manager

  
Gary W. Simpson  
Finance Director

CITY OF MARQUETTE, MICHIGAN  
ADMINISTRATIVE STAFF

City Manager	Gerald Peterson
Assistant City Manager	Karl Zueger
City Attorney	
Finance Director	Gary Simpson
City Assessor	
City Clerk	Norman Gruber
City Engineer	Arthur Ontto
Assistant City Engineer	Keith Whittington
City Treasurer	Diane Giddens
Utility Accountant	Kathleen Foulks
Community Service Center Director	Charles L. Richardson
Information Systems Director	Alan Hawker
Police Chief	Philip Siegert
Fire Chief	Thomas Belt
Library Director	Pamela Christensen
Light and Power Utility Director	David Hickey
Superintendent of Public Works	Steven P. Lawry
Superintendent of Water and Wastewater	Roger Olson
Fleet Manager	Ted Gagnon
Human Resources Manager	Judy Akkala
Arts and Culture Director	Reatha Tweedie



Anderson, Tackman & Company, PLC  
Certified Public Accountants  
Marquette, Michigan 906-225-1166

**Partners**

John W. Blemberg, CPA

Robert J. Downs, CPA, CVA

Daniel E. Bianchi, CPA

**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor, Members of the City  
Commission and the City Manager of the  
City of Marquette, Michigan

We have audited the financial statements of the governmental activities, business-type activities, discretely presented component units, major funds, and remaining fund information, which collectively comprise the basic financial statements of the City of Marquette, Michigan as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Board of Light and Power, a component unit of the City, which represents 79 percent and 87 percent of the assets and revenues of the component unit column. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Board of Light and Power, is based solely on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the report of the other auditors, provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, discretely presented component units, major funds and remaining fund information of the City of Marquette, Michigan at June 30, 2005, and the changes in financial position and cash flows, where applicable, of those activities and funds and the budgetary comparison for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 21 through 30 and the Analysis of Funding Progress on pages 88 through 90 are not required parts of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor, Members of the City  
Commission and the City Manager of the  
City of Marquette, Michigan

we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a separate report to management dated November 18, 2005 on our consideration of the City of Marquette, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the City of Marquette, Michigan's basic financial statements taken as a whole. The combining and individual fund statements and schedules as listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the City of Marquette, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

*Anderson, Tackman & Company, PLC*  
Certified Public Accountants

November 18, 2005

## City of Marquette, Michigan

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the City of Marquette's financial performance provides an overview of the City's financial activities for the year ended June 30, 2005. Please read it in conjunction with the financial statements, which begin on page 32.

#### FINANCIAL HIGHLIGHTS

- Net assets for the City as a whole increased by \$1,105,304 as a result of this year's operations. Net assets of our business-type activities increased by \$429,266, or one percent, and net assets of our governmental activities increased by \$678,038, or three percent.
- During the year, the City had expenses for governmental activities that were \$9,606,454 more than the \$10,662,443 generated in program revenues and other program sources.
- The City's business-type activities increased net assets by \$429,266 from operations.
- The general fund reported a net change in fund balance of \$104,900. This is \$660,660 higher than the forecasted decrease of \$(555,760).

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 32 and 33) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 34. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

#### **Reporting the City as a Whole**

Our analysis of the City as a whole begins on page 23. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's *net assets* and changes in them. You can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's patron base and the condition of the City's capital assets, to assess the *overall financial health* of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- *Governmental activities* – Most of the City's basic services are reported here, including the police, fire, public works and parks departments, and general administration. Property taxes, charges for services and state sources fund most of these activities.

- *Business-type activities* – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City’s water and sewer system, stormwater, marina and transportation center activities are reported here.
- *Component units* – The City includes four separate legal entities in its report – the Board of Light and Power, the Peter White Public Library, the Downtown Development Authority, and the Marquette Housing Commission. Although legally separate, these “component units” are important because the City is financially accountable for them.

## Reporting the City’s Most Significant Funds

Our analysis of the City’s major funds begins on page 24. The fund financial statements begin on page 34 and provide detailed information on the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The City’s two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental funds* – Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City’s other programs and activities – such as the Motor Vehicle Equipment Fund.

## The City as Trustee

The City is the trustee, or fiduciary, for its Fire-Police Retirement System pension plan. It is also responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the City’s fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 43 and 44. We exclude these activities from the City’s other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## The City as a Whole

Table I provides a summary of the City's net assets as of June 30, 2005 and 2004.

Table 1 Net Assets						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$15,397,954	\$17,110,708	\$6,083,915	\$13,156,985	\$21,481,869	\$30,267,693
Capital assets, net	<u>37,001,183</u>	<u>29,724,011</u>	<u>42,432,333</u>	<u>38,992,499</u>	<u>79,433,516</u>	<u>68,716,510</u>
Total Assets	<u>53,126,800</u>	<u>46,834,719</u>	<u>51,114,358</u>	<u>52,149,484</u>	<u>100,915,385</u>	<u>98,984,203</u>
Current liabilities	10,644,101	9,109,029	1,920,021	2,208,714	12,564,122	11,317,743
Noncurrent liabilities	<u>16,392,152</u>	<u>12,311,181</u>	<u>10,093,476</u>	<u>11,269,175</u>	<u>26,485,628</u>	<u>23,580,356</u>
Total Liabilities	<u>27,036,253</u>	<u>21,420,210</u>	<u>12,013,497</u>	<u>13,477,889</u>	<u>39,049,750</u>	<u>34,898,099</u>
Net Assets:						
Invested in capital assets, net of related debt	20,668,811	17,517,503	28,448,328	27,558,113	49,117,139	45,075,616
Restricted	528,637	-	1,929,883	2,134,176	2,458,520	2,134,176
Unrestricted	<u>4,893,099</u>	<u>7,897,006</u>	<u>8,722,650</u>	<u>8,979,306</u>	<u>13,615,749</u>	<u>16,876,312</u>
Total Net Assets	<u>\$26,090,547</u>	<u>\$25,414,509</u>	<u>\$39,100,861</u>	<u>\$38,671,595</u>	<u>\$65,191,408</u>	<u>\$64,086,104</u>

Net assets of the City's governmental activities stood at \$26,090,547. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$4,893,099.

The \$4,893,099 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$39,100,861. The City can generally only use these net assets to finance continuing operations of the water and sewer and other enterprise operations.

The results of this year's operations for the City as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years 2005 and 2004.

Table 2 Change in Net Assets						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues:						
Charges for services	\$5,677,922	\$4,705,185	\$6,698,805	\$6,738,283	\$12,376,727	\$10,813,468
Operating grants and contributions	2,185,688	2,873,580	173,320	536	2,359,008	2,874,116
Capital grants and contributions	265,770	1,795,016	-	-	265,770	1,795,016
General revenues:						
Property taxes	8,359,729	7,983,740	-	-	8,359,729	7,983,740
Unrestricted state sources	2,185,248	2,264,254	-	-	2,185,248	2,264,254
Investment earnings	88,521	(97,837)	233,480	263,458	322,001	165,621
Miscellaneous	<u>69,510</u>	<u>428,449</u>	<u>-</u>	<u>(2,105)</u>	<u>69,510</u>	<u>426,344</u>
Total Revenues	<u>\$18,832,388</u>	<u>19,322,387</u>	<u>7,105,605</u>	<u>7,000,172</u>	<u>25,937,993</u>	<u>26,322,559</u>
Program Expenses:						
General Government	2,919,314	3,749,652	-	-	2,919,314	3,749,652
Public health and safety	4,680,206	4,649,016	-	-	4,680,206	4,649,016
Public works	2,843,875	2,850,031	-	-	2,843,875	2,850,031
Highways and streets	2,582,962	2,604,467	-	-	2,582,962	2,604,467
Social services	503,334	840,683	-	-	503,334	840,683
Sanitation	1,528,524	1,148,170	-	-	1,528,524	1,148,170
Recreation and culture	1,316,150	1,398,509	-	-	1,316,150	1,398,509
Interest on long-term debt	504,304	458,058	-	-	504,304	458,058
Depreciation - unallocated	857,165	875,141	-	-	857,165	875,141

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>		<u>2005</u>	<u>2004</u>
Water supply and sewage disposal	\$-	\$-	\$5,895,101	\$5,449,460	\$5,895,101	\$5,449,460
Stormwater utility	-	-	680,791	692,413	680,791	692,413
Marina	-	-	364,786	416,614	364,786	416,614
Intermodal transportation terminal	-	-	156,177	173,272	156,177	173,272
Total Expenses	<u>17,735,834</u>	<u>18,573,727</u>	<u>7,096,855</u>	<u>6,731,759</u>	<u>24,832,689</u>	<u>25,305,486</u>
Excess (deficiency) before transfers and extraordinary item	1,096,554	748,660	8,750	268,413	1,105,304	1,017,073
Transfers	(420,516)	(228,117)	420,516	228,117	-	-
Extraordinary item	-	(10,467)	-	-	-	(10,467)
Increase (decrease) in net assets	676,038	510,076	429,266	496,530	1,105,304	1,006,606
Net assets, beginning	<u>25,414,509</u>	<u>24,904,433</u>	<u>38,671,595</u>	<u>38,175,065</u>	<u>64,086,104</u>	<u>63,079,498</u>
Net Assets, Ending	<u>\$26,090,547</u>	<u>\$25,414,509</u>	<u>\$39,100,861</u>	<u>\$38,671,595</u>	<u>\$65,191,408</u>	<u>\$64,086,104</u>

The City's total revenues were \$25,937,993. The total cost of all programs and services was \$24,832,689, leaving an increase in net assets of \$1,105,304. Our analysis below separately considers the operations of governmental and business-type activities:

*Governmental Activities – Analysis of Individual Funds:*

**General Fund**

The General Fund had revenues (excluding transfers-in) of \$15.6 million, an increase of \$1.5 million, a 10.5% increase, from the prior fiscal year. This increase is mostly due to the combination of Property Tax revenue increasing by \$350,110, a 5.9% increase, and Charges for Services, Sales, Use and Admission Fees increased \$998,243, a 30.4% increase. Property Tax revenue increased due to a 0.08 millage rate increase and an increase in taxable values city-wide of almost 5%. Charges for Services, Sales, Use and Admission Fee revenue increased due to adopting a Fee Schedule with a greater emphasis in charging rates which more closely cover the actual cost of certain services provided by the City. All Fee Schedule rates were heavily scrutinized this past year and the new rates provided the increased revenue. Other revenues were as follows: State Shared Revenues decreased 3.4% due to a slightly lower payout from the State for Fire Protection of State Facilities and decreased Sales Tax collections being passed on from the State Pool; all other revenue sources increased 8.4%.

General Fund expenditures (excluding transfers out) increased \$5,455,702, a 42.6% increase, from the prior fiscal year. This increase is largely due to a single capital outlay expenditure of \$5.2 million for purchasing property to be used for future development and recreational purposes. Excluding this property purchase, General Fund expenditures increased by 1.8%. Expenditures by function were as follows: General Government decreased 15.6%; Public Health and Safety increased 5.2%; Public Works and Sanitation increased 11.0% (excluding the aforementioned property purchase); Social Services decreased 10.2%; Recreation and Culture increased 34.6%; and Debt Service increased 0.4%.

In General Government, there were increases to Assessor due to \$62,000 spent for contracting Personal Property audit services which were offset by a State Grant and increased Personal Property Tax collections for current and future years; increase to Information Systems in the amount of \$100,000 for purchasing computers for city-wide operations; City Hall and Grounds increased \$52,000 due to building improvements at City Hall. These increases were more than offset by a large decrease of \$660,000 from the prior year for monies being put into the City's internal trust fund to pay for future property purchases and leave payouts for retiring employees.

Net Other Financing Uses increased 400.0% due to issuance of debt for the property purchase. Transfers Out increased almost 50% due to an increase in the amount needed to fund the Major Street Fund, a new debt service fund, and having to fund a deficit in the Intermodal Transportation Terminal Fund.



The total Fund Balance increased \$104,900, or 2.6%, from the previous fiscal year while the unreserved portion of the Fund Balance increased \$843,676, or 31.7%, due to a lower reserve for encumbrances.

### **Major and Local Street Funds**

The Major Street Fund had revenues decrease 17.2% and the Local Street Fund had revenues increase 1.8% from the previous fiscal year. The Major Street Fund decreased due to a decrease in funding for Winter Maintenance of 8.9% and a decrease of 10.5% from the State's Gas Tax pool. The Local Street Fund had an increase of 32.5% for Winter Maintenance and a 10.2% decrease from the State's Gas Tax pool. Together, the Major and Local Street Funds had revenues decrease 11.8% from the previous fiscal year.

The Major Street Fund had expenditure increases of 8.6% and the Local Street Fund had expenditures increase 5.5% from the previous fiscal year. The Major Street increase is attributable to higher Routine and Winter Maintenance costs while the Local Street increase is attributable to higher Routine Maintenance costs from the previous fiscal year. These cost increases were due to the need for increased street maintenance. Together, the Major and Local Street Funds had expenditures increase 7.2% from the previous fiscal year.

Net Other Financing Sources increased 19.0% for the Major Street Fund and increased 8.9% for the Local Street Fund. The Major and Local Street increase is due to a higher Transfer-In from the General Fund to cover the higher maintenance costs and lower State Funding. Together, the Major and Local Street Funds had Net Other Financing Sources increase 11.5% from the previous fiscal year.

These two funds traditionally do not carry a Fund Balance. In the previous fiscal year, the Major Street Fund received some reimbursements for the 2003 Dead River Flood damages and, due to timing, the Major Street Fund had a Fund Balance of \$170,712. It was anticipated this Fund Balance would return to 0 in this fiscal year.

### **Lakeview Arena Fund**

The Lakeview Arena Fund had revenues increase \$57,992, or 10.2%. This increase is attributable to an increase in rates for ice time.

Expenditures in the Lakeview Arena Fund increased \$96,233 or 12.0% from the previous fiscal year. This increase was due in large part to the purchase of a new Zamboni to prepare the ice for the various events requiring ice. Operating costs were higher (4.0% higher than in the previous year) in large part due to higher personnel costs (wages and health insurance mostly) and higher utility costs.

Other Financing Sources for the Lakeview Arena Fund decreased 6.0% from the previous fiscal year. This is due to the Transfer-In from the General Fund being lower this year to offset operating costs in the Lakeview Arena Fund which are not covered by user fees.

The Fund Balance decreased by \$27,244, or (38.7%), from the previous fiscal year.

### **Construction Fund**

Capital construction projects that have funding sources of more than one City accounting fund are accounted for in this single fund. In prior years, projects with multiple accounting fund sources were accounted for in each particular fund thereby making tracking of these projects a difficult process.

For this fiscal year, total project expenditures were \$2.5 million. \$247,553 (9.8%) was funded from various State and Private Sources while the remainder was funded by transfers-in from other City funds and Bond proceeds.

Major Projects were Founders Landing Development, and Magnetic Street, Wright Street and McClellan Avenue Reconstruction.

### **Debt Service Fund**

The Debt Service Fund is used for the payments on the outstanding bonds for the Municipal Service Center, the Lakeview Arena, Founders Landing Development, and Spring Street Reconstruction. The Municipal Service Center has \$4.18 million in outstanding principal remaining, the Lakeview Arena has \$340,000 in outstanding principal remaining, Founders Landing Development has \$3.8 million in outstanding principal remaining, and Spring Street Reconstruction has \$1.16 million in outstanding principal remaining. The Municipal Service Center is funded by charges to various user City departments while the others are funded by a transfer from the General Fund.

### **Other Governmental Activity Funds**

The three funds, Environmental Protection; Criminal Justice Training; and Michigan State Housing Development Authority grant (MSHDA) round out the Governmental Activity area. Environmental Protection had no revenues and expenditures leaving it with a fund balance of \$13,268. Criminal Justice Training had revenues of \$8,213 and expenditures of \$8,315 leaving a fund balance of \$14,008. MSHDA had combined revenues of \$83,108 and combined expenditures of \$207,217 leaving a combined fund balance of \$4,433.

Table 3 presents the cost of each of the six largest programs – General Government, Public Health and Safety, Public Works, Highways and Streets, Sanitation, and Recreation and Culture – as well as each program’s net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each program placed on the City’s operation.

**Table 3**  
**Governmental Activities**

	Total Cost of Services	Net Cost of Services
General government	\$2,919,314	\$1,628,103
Public health and safety	4,680,206	4,361,918
Public works	2,843,875	1,220,675
Highways and streets	2,582,962	784,758
Sanitation	1,528,524	(537,445)
Recreation and culture	1,316,150	499,834

*Business-type Activities – Analysis of Individual Funds:*

### **Water and Sewer Fund**

The combined Water and Sewer Fund had operating revenues of \$5.7 million, an increase of \$38,696, or 0.7%, from the previous fiscal year. This increase is due to a \$0.05 per unit increase in both water and sewer rates.

Operating expenses increased \$454,881, or 8.8%, from the previous fiscal year. The increase was due to higher charges from the Engineering Department and costs incurred for root control in the Sewer operation.

Net Non-Operating Expenses increased \$6,470, or 6.6% due to lower bond interest expense.

Net Assets increased \$11,201, or 0.04%, from the previous fiscal year.

### **Stormwater Fund**

- The Stormwater Fund had operating revenues of \$649,034, a decrease of \$11,024, or (1.7%), from the previous fiscal year despite raising rates \$0.15 per unit.
- Operating expenses decreased \$1,071, or (0.18%), from the previous fiscal year.
- Net Non-Operating Expenses increased \$176,269 due to the receipt of a grant.
- Net Assets increased \$190,488, or 4.7% from the previous fiscal year.

### **Marina Fund**

The Marina Fund had operating revenues of \$258,940, an increase of \$6,841, or 2.7%, from the previous fiscal year. This is due to an increase in Sales of Supplies.

Operating Expenses decreased almost \$43,784, or (11.5%), from the previous fiscal year. The decrease was due to lower Professional Service charges from the prior fiscal year.

Net Non-Operating Expenses decreased \$11,154, or (33.7%), from the previous fiscal year due lower bond interest expense.

Net Assets decreased \$60,160, or (2.9%), from the previous fiscal year.

### **Intermodal Transportation Fund**

The Intermodal Transportation Fund had operating revenues of \$63,963, a decrease of \$82,029, or (56.2%), from the previous fiscal year. The decrease was due to the major tenant of the building moving to a new location at mid-year. Plans are for the building to be sold in the very near future and this fund will be closed out at that time.

Operating Expenses decreased \$17,095, or (9.9%), from the previous fiscal year. This is due to lower Personnel Services costs needed to maintain the building due to the aforementioned tenant vacating the premises.

Net Non-Operating Revenues increased \$314,848 from the prior fiscal year due to a transfer-in from the General Fund to balance an unrestricted net asset deficit.

Net Assets increased \$287,737, or 29.1%, from the previous fiscal year.

## **THE CITY'S FUNDS**

As the City completed the year, its governmental funds (as presented in the balance sheet on page 34) reported a *combined* fund balance of \$5,556,829, a decrease of \$(2,393,696) from the beginning of the year. The decrease was due to expending the proceeds of a bond issue from a prior year in the Capital Projects Fund.

### **General Fund Budgetary Highlights**

Over the course of the year, the City Commission revised the budget two times. The revisions were made to the budget for the rollover of encumbrances from the previous fiscal year and to prevent budget overruns.

Revenue projections were below the final budgeted amount to the tune of \$618,881, including transfers-in. While each revenue source experienced some type of variation from its budget, the main culprit to the revenue shortfall was not selling property which was budgeted for \$830,000. Other shortfalls were seen in State Shared Revenues of \$184,433 due to the various State Pools which comprise this source of funding not contributing as

much as was anticipated and a shortfall in Investment Income of \$128,669 due to adjusting for 'mark to market'. These shortfalls were partially offset by a positive variation in the Charges for Services source in the amount of \$695,556. As previously discussed, during the year a greater emphasis was placed on recovering costs of operations through higher and new user fees.

The shortfall in revenue projections was offset by expenditures being under budget as well. Almost every department in the General Fund came in under budget by the end of the fiscal year. The total expenditure budget-to-actual variance was \$1,279,541, including transfers-out. The largest under-budget category came from Transfers-Out not needing to be as great as originally anticipated to cover operating costs in the Major Street and the Capital Projects Funds. This accounted for \$860,032 of the variance. General Government had a large positive variance of \$296,940 in part due to the City Attorney position not being filled for half of the year and a budgeted for Grant Pass-Through which did not occur. Budget overruns were incurred in Sanitation in the amount of \$26,179 and Recreation and Culture in the amount of \$65,364. The Sanitation overrun was due to increased service levels for Spring and Fall clean-up and the Recreation and Culture overrun was due to the Seawall/Boardwalk project which was not budgeted for.

The total Fund Balance was budgeted to decrease \$555,760 and the actual was a positive increase of \$104,900, thereby making the variance a positive \$660,660. The reasons are explained above in the discussion of revenues and expenditures with the main reason being the large positive variance in Transfers-Out of \$860,032.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of fiscal 2005, the City had \$79,433,516 invested in a variety of capital assets including land and improvements, buildings and improvements, equipment and infrastructure. (See table 4 below)

**Table 4**  
**Capital Assets at Year-End**  
**(Net of Depreciation)**

	Governmental Activities 2005	Business-type Activities 2005	Totals 2005
Land and construction in progress	\$14,769,368	\$102,500	\$14,871,868
Land improvements	2,936,408	2,007,235	4,943,643
Buildings and improvements	8,683,170	10,040,278	18,723,448
Equipment and furnishings	4,179,552	2,836,145	7,015,697
Infrastructure	2,872,288	24,528,743	27,401,031
Investment in joint venture	3,560,397	2,917,432	6,477,829
Totals	<u>\$37,001,183</u>	<u>\$42,432,333</u>	<u>\$79,433,516</u>

There will continue to be one big capital project in the upcoming fiscal year: The continued development of the 'Founders Landing' property. Founders Landing has been and will continue to be financed through various grant sources, bond proceeds, and property sales to developers. Further details on capital assets can be found in Note J.

### **Debt**

At year-end, the City had \$27,882,408 in bonds, notes and capital lease obligations outstanding as depicted in Table 5 below.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities 2005	Business-type Activities 2005	Totals 2005
General obligation bonds	\$14,795,791	\$-	\$14,795,791
Revenue bonds	-	7,465,000	7,465,000
Contracts and notes payable	1,536,580	3,601,573	5,138,153
Capital lease obligations	-	483,464	483,464
Totals	<u>\$16,332,371</u>	<u>\$11,550,037</u>	<u>\$27,882,408</u>

There was one new addition to debt for this year and further details on long-term debt can be found in Note F.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The City's elected and appointed officials consider many factors when setting the fiscal year 2006 budget. One of those factors is the economy. The State of Michigan has suffered from an economic downturn which has forced the State to deal with an approximately \$1 billion budgetary shortfall. This shortfall trickles down to local units by way of Revenue Sharing payments being reduced by the State. We anticipate that we haven't seen the last of the State Revenue Sharing cuts and this will greatly impact the City's General Fund budget over the next several years. State Revenue Sharing represents approximately 16% of General Fund revenues.

Property Taxes are another big factor in the City's General Fund budget. Property Taxes are calculated on taxable value. Taxable value growth is capped, by State constitution, at the lower of the rate of inflation or 5%.

In the year when property sells, the taxable value is then allowed to be adjusted to reflect actual increases in taxable value and then the capping process starts all over again. It is projected this capping process is costing the City approximately \$900,000 per year by not being able to fully realize the true increases in taxable value. It is projected that the development of the 'Founders Landing' project will help increase tax revenues by approximately \$260,000 per year. This will not be realized until the project is completed in two to three more years.

Declining interest rates have both benefited and harmed the City's budget. On the benefit side, the City was able to refund some Revenue Bonds in a prior fiscal year which has decreased the debt service requirements for the Water and Sewer and the Marina Funds. This will help to keep those user fee rates from rising as much as could have been. On the harmful side, the General Fund had become accustomed to collecting a property tax equivalent of almost 2 mills from investment interest. The current property tax equivalent has dropped to below 0.5 mills.

There currently is legislation being discussed at the Federal level which could have a significant negative impact to the General Fund revenues. The City currently collects approximately \$200,000 in Cable TV Franchise fees annually. The legislation, if passed as currently written, will eliminate this entire source of revenue thereby putting additional pressure on the City to either further raise millage rates and service fees and/or reduce the level of service provided to its citizens as a result of cost cutting measures.

On the expenditure side, the City is dealing with sizable increases in health insurance costs for health insurance provided to its employee's. Recent years have seen increases of as high as 25% in this cost. Several strategies have been formed along with several committees in order to deal with this situation but it is anticipated the City will continue to see double digit increases in the health insurance premiums it pays for its workforce.

Also on the expenditure side, with the issuance of bonds to fund the 'Founders Landing' project and also the property recently purchased for recreational/development purposes, new debt service will be required. Debt Service payments that have not needed to be budgeted for in the past will now be required to be budgeted for.

Currently, these debt service payments will be made by the General Fund. The overall plan is to sell property in the Founders Landing area and use those monies to pay the Founders Landing debt service in future years. If this property is not sold, then the General Fund must continue to make the payments. As part of the purchase of the recreational/development property, the property tax millage was raised one mill to pay for this debt service. It is anticipated this will continue for the life of the bonds.

The City is also starting to experience a large increase in gasoline and natural gas costs. The latter is extremely harmful as the City is located in a cold weather region and is a large user of natural gas for heating City facilities. This will have a big negative impact on current and future budgets as the City struggles to balance its budget and continue to provide the current level of services.

Overall, the prospect of declining major revenues and increasing expenditures in the General Fund will make for a challenging budget process. City's management is now and will continue to be challenged to increase current revenue sources and find new ones and also to contain expenditures in order to provide our citizens with a balanced budget and still provide the level of services that are demanded.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Finance Office at City of Marquette, 300 West Baraga, Marquette, Michigan, 49855.

## **City of Marquette, Michigan**

### **BASIC FINANCIAL STATEMENTS**

The Basic Financial Statements provide an overview of the City's financial position and the result of the current year's operations and cash flows.

These Basic Financial Statements indicate the classes and funds displayed in subsequent sections of the report and present comprehensive data for assets, liabilities, revenues, transfers, expenses or expenditures and cash flows of City funds.

**City of Marquette, Michigan**

**STATEMENT OF NET ASSETS**

June 30, 2005

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 2,943,310	\$ 4,550,119	\$ 7,493,429	\$ 5,453,127
Investments	2,707,500	-	2,707,500	8,362,610
Receivables (net)	9,362,334	1,359,534	10,721,868	2,720,455
Primary government internal balances	(2,979)	2,979	-	-
Component unit internal balances	146,600	-	146,600	(146,600)
Inventory	177,205	144,836	322,041	4,284,164
Prepaid expenses and other assets	63,984	26,447	90,431	87,251
Other current assets			-	
<b>TOTAL CURRENT ASSETS</b>	<b>15,397,954</b>	<b>6,083,915</b>	<b>21,481,869</b>	<b>20,761,007</b>
Noncurrent assets:				
Restricted assets	709,987	2,429,162	3,139,149	6,218,696
Long-term receivables	17,676	-	17,676	-
Unamortized bond issue costs	-	168,948	168,948	72,867
Investment in UPPPA	-	-	-	1,801,085
Capital assets:				
Investment in joint venture	3,560,397	2,917,432	6,477,829	-
Land and construction in progress	14,769,368	102,500	14,871,868	114,704
Other capital assets	37,884,890	54,505,247	92,390,137	136,481,260
Accumulated depreciation	(19,213,472)	(15,092,846)	(34,306,318)	(84,784,757)
Total Capital Assets	37,001,183	42,432,333	79,433,516	51,811,207
<b>TOTAL NONCURRENT ASSETS</b>	<b>37,728,846</b>	<b>45,030,443</b>	<b>82,759,289</b>	<b>59,903,855</b>
<b>TOTAL ASSETS</b>	<b>53,126,800</b>	<b>51,114,358</b>	<b>104,241,158</b>	<b>80,664,862</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts payable	1,025,807	234,240	1,260,047	2,557,690
Accrued liabilities	200,726	41,604	242,330	268,390
Unearned revenue	7,639,418	122,442	7,761,860	1,364,064
Compensated absences	853,831	168,146	1,021,977	793,157
Current portion of bonds payable	771,754	300,000	1,071,754	588,572
Current portion of notes and contracts payable	146,855	159,329	306,184	11,637
Current portion of capital lease obligations	-	120,866	120,866	-
Other current liabilities	5,710	143,394	149,104	1,359,078
Current Liabilities (payable from restricted assets):				
Current maturities on revenue bonds	-	630,000	630,000	3,805,000
Revenue bond accrued interest payable	-	-	-	203,062
Total Current Liabilities (payable from restricted assets)	-	630,000	630,000	4,008,062
<b>TOTAL CURRENT LIABILITIES</b>	<b>10,644,101</b>	<b>1,920,021</b>	<b>12,564,122</b>	<b>10,950,650</b>
Noncurrent Liabilities:				
Compensated absences	978,390	-	978,390	86,404
Bonds payable	14,024,037	6,535,000	20,559,037	12,765,754
Long-term contracts and notes payable	1,389,725	3,442,244	4,831,969	862,962
Capital lease obligations	-	362,598	362,598	-
Premium on refunding	-	58,601	58,601	-
Deferred amounts on refunding	-	(304,967)	(304,967)	-
Other	-	-	-	637,596
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>16,392,152</b>	<b>10,093,476</b>	<b>26,485,628</b>	<b>14,352,716</b>
<b>TOTAL LIABILITIES</b>	<b>27,036,253</b>	<b>12,013,497</b>	<b>39,049,750</b>	<b>25,303,366</b>
<b>NET ASSETS</b>				
Invested in capital assets net of related debt	20,668,811	28,448,328	49,117,139	38,439,205
Restricted for:				
Debt Service	-	1,929,883	1,929,883	439,088
Other activities	528,637	-	528,637	2,974,609
Unrestricted	4,893,099	8,722,650	13,615,749	13,508,594
<b>TOTAL NET ASSETS</b>	<b>\$ 26,090,547</b>	<b>\$ 39,100,861</b>	<b>\$ 65,191,408</b>	<b>\$ 55,361,496</b>

The accompanying notes are an integral part of these financial statements.



# City of Marquette, Michigan

## STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2005

Function / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business Type Activities
<b>Primary Government:</b>						
Governmental Activities:						
General government	\$ 2,919,314	\$ 1,254,826	\$ 36,385	\$ -	\$ (1,628,103)	\$ -
Public health and safety	4,680,206	183,381	134,907	-	(4,361,918)	-
Public works	2,843,875	1,370,220	-	252,980	(1,220,675)	-
Highway and streets	2,582,962	-	1,798,204	-	(784,758)	-
Social services	503,334	-	216,192	-	(287,142)	-
Sanitation	1,528,524	2,065,969	-	-	537,445	-
Recreation and culture	1,316,150	803,526	-	12,790	(499,834)	-
Interest on long-term debt	504,304	-	-	-	(504,304)	-
Depreciation - unallocated	857,165	-	-	-	(857,165)	-
<b>Total Governmental Activities</b>	<b>17,735,834</b>	<b>5,677,922</b>	<b>2,185,688</b>	<b>265,770</b>	<b>(9,606,454)</b>	<b>-</b>
<b>Business Type Activities:</b>						
Water supply and sewage disposal	5,895,101	5,726,868	-	-	-	(168,233)
Stormwater utility	680,791	649,034	173,320	-	-	141,563
Marina	364,786	258,940	-	-	-	(105,846)
Intermodal transportation terminal	156,177	63,963	-	-	-	(92,214)
<b>Total Business Type Activities</b>	<b>7,096,855</b>	<b>6,698,805</b>	<b>173,320</b>	<b>-</b>	<b>-</b>	<b>(224,730)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 24,832,689</b>	<b>\$ 12,376,727</b>	<b>\$ 2,359,008</b>	<b>\$ 265,770</b>	<b>(9,606,454)</b>	<b>-</b>
<b>Component Units:</b>						
Board of Light and Power	24,742,791	24,581,020	-	900,266	-	738,495
Public Library	2,009,059	206,374	373,650	-	-	(1,429,035)
Downtown Development Authority	2,087,977	601,586	1,181,656	-	-	(304,735)
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 28,839,827</b>	<b>\$ 25,388,980</b>	<b>\$ 1,555,306</b>	<b>\$ 900,266</b>	<b>-</b>	<b>(995,275)</b>
<b>General Revenues:</b>						
Taxes:						
Property taxes					6,305,971	6,305,971
Payment in lieu of taxes					2,053,758	2,053,758
Unrestricted State sources					2,185,248	2,185,248
Interest and investment earnings					88,521	233,480
Miscellaneous					69,510	69,510
Transfers					(420,516)	420,516
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>					<b>10,282,492</b>	<b>653,996</b>
<b>CHANGE IN NET ASSETS</b>						
Net assets, beginning of year					676,038	429,266
					25,414,509	38,671,595
<b>NET ASSETS, END OF YEAR</b>					<b>\$ 26,090,547</b>	<b>\$ 39,100,861</b>
<b>Net assets, beginning of year</b>					<b>\$ 65,191,408</b>	<b>\$ 55,361,496</b>

The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

June 30, 2005

	<b>General Fund</b>	<b>Major Street and Trunkline Fund</b>	<b>Local Street Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 899,158	\$ -	\$ -	\$ 888,552	\$ 573,647	\$ 2,361,357
Investments	2,707,500	-	-	-	-	2,707,500
Taxes receivable, net	7,339,045	-	-	-	-	7,339,045
Special assessments receivable	337,908	-	-	-	-	337,908
Accounts receivable, net	103,052	-	-	344,526	37,055	484,633
Due from other authorities	523,065	-	-	-	-	523,065
Due from component units	117,442	-	-	-	-	117,442
Due from other funds	721,924	-	-	-	31,330	753,254
Due from other governments	293,705	160,826	119,998	-	101,160	675,689
Inventory	154,891	-	-	-	-	154,891
Advances to component units	29,158	-	-	-	-	29,158
Prepaid expenditures	63,984	-	-	-	-	63,984
<b>TOTAL ASSETS</b>	<b>\$ 13,290,832</b>	<b>\$ 160,826</b>	<b>\$ 119,998</b>	<b>\$ 1,233,078</b>	<b>\$ 743,192</b>	<b>\$ 15,547,926</b>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>LIABILITIES:</b>						
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ 42,754	\$ 42,754
Accounts payable	375,086	5,416	1,362	420,069	26,067	828,000
Accrued compensated absences	718,982	-	-	-	-	718,982
Due to other funds	411,281	155,410	118,636	-	70,906	756,233
Due to other local units	5,710	-	-	-	-	5,710
Deferred revenue	7,639,418	-	-	-	-	7,639,418
<b>TOTAL LIABILITIES</b>	<b>9,150,477</b>	<b>160,826</b>	<b>119,998</b>	<b>420,069</b>	<b>139,727</b>	<b>9,991,097</b>
<b>FUND BALANCE:</b>						
Reserved for:						
Capital outlay	-	-	-	813,009	30,036	843,045
Encumbrances	184,015	-	-	-	-	184,015
Other	455,101	-	-	-	531,082	986,183
Unreserved, reported in:						
General Fund	3,501,239	-	-	-	-	3,501,239
Special Revenue Funds	-	-	-	-	42,347	42,347
<b>TOTAL FUND BALANCE</b>	<b>4,140,355</b>	<b>-</b>	<b>-</b>	<b>813,009</b>	<b>603,465</b>	<b>5,556,829</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 13,290,832</b>	<b>\$ 160,826</b>	<b>\$ 119,998</b>	<b>\$ 1,233,078</b>	<b>\$ 743,192</b>	<b>\$ 15,547,926</b>

The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**

June 30, 2005

**Total Fund Balances for Governmental Funds** \$ 5,556,829

*Amounts reported for governmental activities in the statement  
of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (includes capital assets of internal service funds). 37,001,183

Internal service funds are used by management to charge the costs of certain activities, such as the purchase and maintenance of equipment and vehicles and the operation of the Municipal Service Center, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets, net of capital assets.

Current assets	\$ 649,015	
Restricted assets	709,987	
Long-term receivables	17,676	
Current liabilities	<u>(332,656)</u>	
		1,044,022

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Current portion of bonds payable	\$ 771,754	
Current portion of notes and contracts payable	146,855	
Accrued interest on bonds	200,726	
Compensated absences	978,390	
Bonds payable	14,024,037	
Long-term contracts and notes payable	<u>1,389,725</u>	
		(17,511,487)

<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>		<u><u>\$ 26,090,547</u></u>
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The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 2005

	<b>General Fund</b>	<b>Major Street and Trunkline Fund</b>	<b>Local Street Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>						
Taxes and penalties	\$ 6,305,971	\$ -	\$ -	\$ -	\$ -	\$ 6,305,971
State sources	2,256,476	1,212,351	585,853	-	78,775	4,133,455
Federal sources	119,276	-	-	32,000	-	151,276
Charges for services	4,054,941	-	-	-	22,014	4,076,955
Sales	26,075	-	-	-	140,391	166,466
Use and admission fees	200,332	-	-	-	392,502	592,834
Rentals	39,331	-	-	-	86,986	126,317
Licenses and permits	36,243	-	-	-	-	36,243
Fines and forfeiture	137,572	-	-	-	-	137,572
Sale of assets	11,721	-	-	-	-	11,721
Reimbursements	40,090	-	-	-	-	40,090
Investment income	21,522	-	-	58,079	8,920	88,521
Payment in lieu of taxes	2,053,758	-	-	-	-	2,053,758
Private contribution	21,915	-	-	157,474	-	179,389
Intergovernmental revenue	128,399	-	-	-	-	128,399
Special assessments	63,506	-	-	-	-	63,506
Other	40,163	-	-	-	12,866	53,029
<b>TOTAL REVENUES</b>	<b>15,557,291</b>	<b>1,212,351</b>	<b>585,853</b>	<b>247,553</b>	<b>742,454</b>	<b>18,345,502</b>
<b>EXPENDITURES:</b>						
Current operations:						
General government	3,143,230	-	-	-	438	3,143,668
Public health and safety	4,726,141	-	-	-	8,315	4,734,456
Public works	7,983,219	-	-	-	-	7,983,219
Highway and streets	-	1,290,218	1,230,269	-	-	2,520,487
Social services	296,117	-	-	-	207,217	503,334
Sanitation	1,516,946	-	-	-	-	1,516,946
Recreation and culture	485,093	-	-	-	831,057	1,316,150
Capital outlay	-	4,193	682	2,535,714	64,515	2,605,104
Debt service						
Principal retirement	76,265	279,899	30,101	-	487,873	874,138
Interest and fiscal charges	26,918	64,149	6,899	-	401,422	499,388
<b>TOTAL EXPENDITURES</b>	<b>18,253,929</b>	<b>1,638,459</b>	<b>1,267,951</b>	<b>2,535,714</b>	<b>2,000,837</b>	<b>25,696,890</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,696,638)</b>	<b>(426,108)</b>	<b>(682,098)</b>	<b>(2,288,161)</b>	<b>(1,258,383)</b>	<b>(7,351,388)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Issuance of debt	5,000,000	-	-	-	-	5,000,000
Transfers in	9,139	309,761	682,098	64,893	1,162,906	2,228,797
Transfers (out)	(2,207,601)	(54,365)	-	-	(9,139)	(2,271,105)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,801,538</b>	<b>255,396</b>	<b>682,098</b>	<b>64,893</b>	<b>1,153,767</b>	<b>4,957,692</b>
<b>CHANGE IN FUND BALANCE</b>	<b>104,900</b>	<b>(170,712)</b>	<b>-</b>	<b>(2,223,268)</b>	<b>(104,616)</b>	<b>(2,393,696)</b>
Fund balance, beginning of year	4,035,455	170,712	-	3,036,277	708,081	7,950,525
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 4,140,355</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 813,009</b>	<b>\$ 603,465</b>	<b>\$ 5,556,829</b>

The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2005

**Net Change in Fund Balances - Total Governmental Funds** **\$ (2,393,696)**

*Amounts reported for governmental activities in the statement  
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Includes Internal Service Funds depreciation expense of \$776,137.

Capital outlays	\$ 8,045,568	
Depreciation expense	<u>(1,633,302)</u>	
		6,412,266

Investments in joint ventures is reported on entity wide statements but not in individual governmental funds. Changes in value of investments in joint ventures does not appear in governmental funds.		486,886
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Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.		(5,000,000)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		874,138
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(4,916)
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Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		419
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Internal service funds are used by management to charge costs of certain activities, such as the purchase and maintenance of equipment and vehicles and the operation of the Municipal Service Center, to individual funds. The net revenue of the Internal Service Funds is reported with governmental activities net of depreciation expense.

Change in net assets	(475,196)	
Depreciation expense	<u>776,137</u>	
		300,941

<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 676,038</u></b>
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The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Property taxes	\$ 6,273,200	\$ 6,273,200	\$ 6,305,971	\$ 32,771
Federal grants	50,600	50,600	119,276	68,676
State grants and shared revenues	2,509,200	2,509,200	2,256,476	(252,724)
Intergovernmental revenues	160,966	160,966	128,399	(32,567)
Licenses and permits	21,800	21,800	36,243	14,443
Charges for services	3,299,385	3,359,385	4,054,941	695,556
Fines and forfeits	156,100	156,100	137,572	(18,528)
Interest and rentals	311,900	311,900	60,853	(251,047)
Other revenues	3,237,160	3,324,160	2,457,560	(866,600)
<b>TOTAL REVENUES</b>	<u>16,020,311</u>	<u>16,167,311</u>	<u>15,557,291</u>	<u>(610,020)</u>
<b>EXPENDITURES:</b>				
General government	3,109,960	3,440,170	3,143,230	296,940
Public health and safety	4,753,708	4,801,619	4,726,141	75,478
Public works	4,141,743	8,058,254	7,983,219	75,035
Sanitation	-	1,490,767	1,516,946	(26,179)
Social services	359,697	359,714	296,117	63,597
Recreation and culture	414,885	419,729	485,093	(65,364)
Debt service	103,185	103,185	103,183	2
<b>TOTAL EXPENDITURES</b>	<u>12,883,178</u>	<u>18,673,438</u>	<u>18,253,929</u>	<u>419,509</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>3,137,133</u>	<u>(2,506,127)</u>	<u>(2,696,638)</u>	<u>(190,511)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of debt	-	5,000,000	5,000,000	-
Transfers in	-	18,000	9,139	(8,861)
Transfers (out)	(3,137,133)	(3,067,633)	(2,207,601)	860,032
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(3,137,133)</u>	<u>1,950,367</u>	<u>2,801,538</u>	<u>851,171</u>
<b>CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>(555,760)</u>	<u>104,900</u>	<u>660,660</u>
Fund balance, beginning of year	<u>4,035,455</u>	<u>4,035,455</u>	<u>4,035,455</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 4,035,455</u></u>	<u><u>\$ 3,479,695</u></u>	<u><u>\$ 4,140,355</u></u>	<u><u>\$ 660,660</u></u>

The accompanying notes are an integral part of these financial statements.

City of Marquette, Michigan

MAJOR SPECIAL REVENUE FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2005

	MAJOR STREET FUND				LOCAL STREET FUND			
	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
<b>REVENUES:</b>								
Federal and State sources	\$ 1,178,000	\$ 1,200,750	\$ 1,212,351	\$ 11,601	\$ 574,000	\$ 657,000	\$ 585,853	\$ (71,147)
<b>TOTAL REVENUES</b>	1,178,000	1,200,750	1,212,351	11,601	574,000	657,000	585,853	(71,147)
<b>EXPENDITURES:</b>								
Highways, Streets and Bridges	1,675,725	1,699,846	1,294,411	405,435	1,165,636	1,245,860	1,230,951	14,909
Debt Service	344,050	344,050	344,048	2	34,005	37,005	37,000	5
<b>TOTAL EXPENDITURES</b>	2,019,775	2,043,896	1,638,459	405,437	1,199,641	1,282,865	1,267,951	14,914
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(841,775)	(843,146)	(426,108)	417,038	(625,641)	(625,865)	(682,098)	(56,233)
<b>OTHER FINANCING SOURCES (USES) :</b>								
Transfers in	841,775	841,775	309,761	(532,014)	625,641	625,641	682,098	56,457
Transfers (out)	-	-	(54,365)	(54,365)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	841,775	841,775	255,396	(586,379)	625,641	625,641	682,098	56,457
<b>CHANGE IN FUND BALANCE</b>	-	(1,371)	(170,712)	(169,341)	-	(224)	-	224
Fund balance, beginning of year	170,712	170,712	170,712	-	-	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	\$ 170,712	\$ 169,341	\$ -	\$ (169,341)	\$ -	\$ (224)	\$ -	\$ 224

The accompanying notes are an integral part of these financial statements

City of Marquette, Michigan

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2005

	Business- Type Activities: Enterprise Funds				Governmental Activities
	Water Supply and Sewage Disposal Fund	Stormwater Utility Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 4,498,775	\$ 107,598	\$ 400	\$ 4,606,773	\$ 624,707
Special assessments receivable	122,442	-	-	122,442	-
Accounts receivable, net	823,932	60,282	1,896	886,110	861
Due from local units	-	-	-	-	1,133
Due from other funds	-	-	379,951	379,951	-
Due from other governments	350,982	-	-	350,982	-
Inventory	125,997	-	18,839	144,836	22,314
Customer deposits	24,020	-	-	24,020	-
Delinquent utility bills on taxes	2,427	-	-	2,427	-
Unamortized bond issuance costs	110,565	50,417	7,966	168,948	-
<b>TOTAL CURRENT ASSETS</b>	<b>6,059,140</b>	<b>218,297</b>	<b>409,052</b>	<b>6,686,489</b>	<b>649,015</b>
Noncurrent Assets:					
Restricted Assets:					
Bond reserve fund	48,582	257,344	180,284	486,210	-
Replacement and maintenance fund	390,000	-	-	390,000	575,138
Bond and interest redemption fund	25,623	-	150,849	176,472	-
Water filtration reserve	1,109,223	-	-	1,109,223	-
Bond escrow fund	60,433	38,678	-	99,111	-
Vacation, sick leave and benefit reserve	163,924	4,222	-	168,146	134,849
Total Restricted Assets	1,797,785	300,244	331,133	2,429,162	709,987
Long-term receivables	-	-	-	-	17,676
Land and land improvements	-	-	102,500	102,500	251,454
Property, plant, and equipment	42,739,598	6,051,426	5,714,223	54,505,247	15,326,551
Accumulated depreciation	(12,032,074)	(991,321)	(2,069,451)	(15,092,846)	(8,324,367)
Other noncurrent assets	2,917,432	-	-	2,917,432	-
<b>TOTAL NONCURRENT ASSETS</b>	<b>35,422,741</b>	<b>5,360,349</b>	<b>4,078,405</b>	<b>44,861,495</b>	<b>7,981,301</b>
<b>TOTAL ASSETS</b>	<b>41,481,881</b>	<b>5,578,646</b>	<b>4,487,457</b>	<b>51,547,984</b>	<b>8,630,316</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Cash overdraft	-	-	56,654	56,654	-
Accounts payable	208,979	1,894	23,367	234,240	197,807
Accrued compensated absences	163,924	4,222	-	168,146	134,849
Due to other funds	-	-	376,972	376,972	-
Due to other local units	-	-	111,083	111,083	-
Customer deposits payable	24,020	-	8,291	32,311	-
Accrued interest payable	32,885	5,386	3,333	41,604	-
Current portion of long-term debt	280,195	230,000	70,000	580,195	-
Deferred revenue	122,442	-	-	122,442	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>832,445</b>	<b>241,502</b>	<b>649,700</b>	<b>1,723,647</b>	<b>332,656</b>
Current Liabilities (payable from restricted assets):					
Current liabilities payable from restricted assets	630,000	-	-	630,000	-
Noncurrent Liabilities:					
Bonds payable	4,870,000	1,065,000	600,000	6,535,000	-
Notes payable	112,244	-	-	112,244	-
Loan payable	3,330,000	-	-	3,330,000	-
Capital lease obligations	362,598	-	-	362,598	-
Premium on refunding	58,601	-	-	58,601	-
Deferred amounts on refunding	(274,664)	-	(30,303)	(304,967)	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>8,458,779</b>	<b>1,065,000</b>	<b>569,697</b>	<b>10,093,476</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>9,921,224</b>	<b>1,306,502</b>	<b>1,219,397</b>	<b>12,447,123</b>	<b>332,656</b>
<b>NET ASSETS</b>					
Invested in capital assets net of related debt	21,605,951	3,765,105	3,077,272	28,448,328	7,253,637
Net Assets:					
Restricted for debt service	1,633,861	296,022	-	1,929,883	-
Unrestricted	8,320,845	211,017	190,788	8,722,650	1,044,023
<b>TOTAL NET ASSETS</b>	<b>\$ 31,560,657</b>	<b>\$ 4,272,144</b>	<b>\$ 3,268,060</b>	<b>\$ 39,100,861</b>	<b>\$ 8,297,660</b>

The accompanying notes are an integral part of these financial statements.



**City of Marquette, Michigan**

**PROPRIETARY FUNDS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

For the Fiscal Year Ended June 30, 2005

	<b>Business- Type Activities: Enterprise Funds</b>				<b>Governmental Activities Internal Service Funds</b>
	<b>Water Supply and Sewage Disposal Fund</b>	<b>Stormwater Utility Fund</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	
<b>OPERATING REVENUES:</b>					
Water sales	\$ 3,310,164	\$ -	\$ -	\$ 3,310,164	\$ -
Sewage disposal	2,251,329	-	-	2,251,329	-
Charges for services	-	649,034	64,120	713,154	2,497,246
Other operating revenue	157,337	-	258,783	416,120	23,552
<b>TOTAL OPERATING REVENUES</b>	<b>5,718,830</b>	<b>649,034</b>	<b>322,903</b>	<b>6,690,767</b>	<b>2,520,798</b>
<b>OPERATING EXPENSES:</b>					
General and administrative	967,031	-	319,617	1,286,648	865,216
Water treatment and distribution	1,231,945	-	-	1,231,945	-
Sanitary sewer operation and booster stations	1,936,730	-	-	1,936,730	-
Stormwater	-	421,773	-	421,773	-
Payments in lieu of taxes	680,885	-	-	680,885	-
Depreciation	793,546	185,726	174,310	1,153,582	776,137
Vehicle operating expenses	-	-	-	-	1,004,819
<b>TOTAL OPERATING EXPENSES</b>	<b>5,610,137</b>	<b>607,499</b>	<b>493,927</b>	<b>6,711,563</b>	<b>2,646,172</b>
<b>OPERATING INCOME (LOSS)</b>	<b>108,693</b>	<b>41,535</b>	<b>(171,024)</b>	<b>(20,796)</b>	<b>(125,374)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment income	179,434	48,925	5,121	233,480	31,957
Interest expense	(284,964)	(73,292)	(27,036)	(385,292)	-
Sale of capital assets	-	-	-	-	(3,571)
State and Federal grants	-	173,320	-	173,320	-
Operating income from Marquette Area Wastewater Treatment Facility	8,038	-	-	8,038	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(97,492)</b>	<b>148,953</b>	<b>(21,915)</b>	<b>29,546</b>	<b>28,386</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>11,201</b>	<b>190,488</b>	<b>(192,939)</b>	<b>8,750</b>	<b>(96,988)</b>
Transfers in	-	-	420,516	420,516	-
Transfers (out)	-	-	-	-	(378,208)
<b>CHANGE IN NET ASSETS</b>	<b>11,201</b>	<b>190,488</b>	<b>227,577</b>	<b>429,266</b>	<b>(475,196)</b>
Net assets, beginning of year	31,549,456	4,081,656	3,040,483	38,671,595	8,772,856
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 31,560,657</b>	<b>\$ 4,272,144</b>	<b>\$ 3,268,060</b>	<b>\$ 39,100,861</b>	<b>\$ 8,297,660</b>

The accompanying notes are an integral part of these financial statements.

City of Marquette, Michigan

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2005

	Business-Type Activities: Enterprise Funds				Governmental Activities Internal Service Funds
	Water Supply and Sewage Disposal Fund	Stormwater Utility Fund	Nonmajor Enterprise Funds	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from fees and charges for services	\$ 5,653,274	\$ 606,182	\$ 318,792	\$ 6,578,248	\$ 2,505,874
Other operating revenues	155,950	-	2,215	158,165	23,552
Cash payments to employees for services	(1,225,978)	(180,940)	(85,385)	(1,492,303)	(586,302)
Cash payments to suppliers for goods and services	(3,998,097)	(188,362)	(224,560)	(4,411,019)	(1,193,382)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>585,149</b>	<b>236,880</b>	<b>11,062</b>	<b>833,091</b>	<b>747,742</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers in (out)	8,038	-	420,516	428,554	(378,208)
State and Federal grants	-	173,320	-	173,320	-
(Decrease) in due to local units	-	-	(27,750)	(27,750)	-
Decrease in due from local units	-	-	-	-	1,095
Decrease in due from other governments	2,727,879	-	-	2,727,879	-
(Increase) in due from other funds	-	-	(379,951)	(379,951)	-
Increase in due to other funds	-	-	31,600	31,600	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>2,735,917</b>	<b>173,320</b>	<b>44,415</b>	<b>2,953,652</b>	<b>(377,113)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Cash payments for capital assets	(3,252,023)	(1,332,658)	-	(4,584,681)	(382,601)
Proceeds from sale of capital assets	-	-	-	-	1,011
Payments received on notes receivable	-	-	-	-	11,073
Interest paid on bonds	(252,659)	(73,292)	(24,232)	(350,183)	-
Principal payments on bonds and other long-term debt	(765,507)	(215,000)	(75,000)	(1,055,507)	-
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(4,270,189)</b>	<b>(1,620,950)</b>	<b>(99,232)</b>	<b>(5,990,371)</b>	<b>(370,517)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest income	179,434	48,925	5,121	233,480	31,957
(Increase) decrease in restricted assets:					
Bond reserve fund	(48,259)	(6,771)	-	(53,030)	-
Bond interest redemption fund	(396)	-	-	(396)	-
Water filtration revenue	(15,568)	-	-	(15,568)	-
Bond escrow fund	273,708	(421)	-	273,287	-
Equipment reserve	-	-	-	-	270,033
Vacation and sick leave reserve	(13,996)	(684)	-	(14,680)	(15,397)
Manna bonds	-	-	(5,121)	(5,121)	-
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>376,923</b>	<b>41,049</b>	<b>-</b>	<b>417,972</b>	<b>286,593</b>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(572,200)</b>	<b>(1,169,701)</b>	<b>(43,755)</b>	<b>(1,785,656)</b>	<b>286,705</b>
Cash and cash equivalents, beginning of year	5,070,975	1,277,299	(12,499)	6,335,775	338,002
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 4,498,775</b>	<b>\$ 107,598</b>	<b>\$ (56,254)</b>	<b>\$ 4,550,110</b>	<b>\$ 624,707</b>
<b>Noncash Investing, Capital and Financing Activities:</b>					
Net depreciation in fair value of investments	\$ (1,010)	\$ (439)	\$ -	\$ (1,449)	\$ -
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 108,693	\$ 41,535	\$ (171,024)	\$ (20,796)	\$ (125,374)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	793,546	185,726	174,310	1,153,582	776,137
Amortization	12,674	9,103	920	22,697	-
Change in assets and liabilities:					
(Increase) decrease in accounts receivable, net	87,203	(137)	(1,896)	85,170	8,628
Decrease in special assessments receivable	2,216	-	-	2,216	-
(Increase) decrease in inventory	8,180	-	302	8,482	(9,314)
Decrease in delinquent utility bills on taxes	3,191	-	-	3,191	-
Decrease in prepaid expenses	3,525	234	461	4,220	2,724
Increase in deposits	652	-	650	1,302	-
Increase (decrease) in accounts payable	(445,561)	1,398	9,289	(434,874)	79,544
Increase in accrued sick and vacation	13,996	684	-	14,680	15,397
(Decrease) in accrued interest	(930)	(1,663)	(1,950)	(4,543)	-
(Decrease) in deferred revenue	(2,216)	-	-	(2,216)	-
<b>NET ADJUSTMENTS</b>	<b>475,456</b>	<b>195,345</b>	<b>182,086</b>	<b>853,887</b>	<b>873,118</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 585,149</b>	<b>\$ 236,880</b>	<b>\$ 11,062</b>	<b>\$ 833,091</b>	<b>\$ 747,742</b>

The accompanying notes are an integral part of these financial statements

**City of Marquette, Michigan**

**FIDUCIARY FUNDS**

**STATEMENT OF FIDUCIARY NET ASSETS**

June 30, 2005

	<u>Private- Purpose Trust Funds</u>	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>			
Cash and equivalents	\$ 422,269	\$ 290,535	\$ 1,507,897
Investments:			
United States Government Securities	-	5,018,812	-
Domestic Corporation Bonds	-	3,968,452	-
Common, Pooled Fund	-	15,459,157	-
Government National Mortgage Association	-	4,730	-
Accounts receivable	-	-	1,254
Taxes receivable	-	-	115,902
Accrued interest receivable	-	105,324	-
	<u>422,269</u>	<u>24,847,010</u>	<u>\$ 1,625,053</u>
<b>TOTAL ASSETS</b>	<u>422,269</u>	<u>24,847,010</u>	<u>\$ 1,625,053</u>
<b>LIABILITIES</b>			
Accounts payable	14	2,771	\$ -
Contract retainage payable	-	-	94,007
Accrued wages and related liabilities	-	-	980,032
Due to other governments	-	-	29,715
Due to State	-	-	23,396
Due to local units	-	-	497,532
Other liabilities	-	-	371
	<u>14</u>	<u>2,771</u>	<u>\$ 1,625,053</u>
<b>TOTAL LIABILITIES</b>	<u>14</u>	<u>2,771</u>	<u>\$ 1,625,053</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits	-	-	
Held in trust for individuals, organizations, and other governments	<u>422,255</u>	<u>24,844,239</u>	
<b>TOTAL NET ASSETS</b>	<u>\$ 422,255</u>	<u>\$ 24,844,239</u>	

The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan**

**FIDUCIARY FUNDS**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

For the Fiscal Year Ended June 30, 2005

	<b>Private- Purpose Trust Funds</b>	<b>Pension Trust Funds</b>
<b>ADDITIONS:</b>		
Contributions:		
Employer	\$ -	\$ 136,351
Employee	-	134,165
Gifts, bequests and endowments	<u>181,600</u>	<u>-</u>
Total Contributions	<u>181,600</u>	<u>270,516</u>
Investment Income:		
Net appreciation in fair value of investments	-	362,309
Interest and dividends	-	536,839
Investment expense	<u>-</u>	<u>(92,444)</u>
Net Investment Income (Loss)	<u>-</u>	<u>806,704</u>
<b>TOTAL ADDITIONS (DEDUCTIONS)</b>	<u>181,600</u>	<u>1,077,220</u>
<b>DEDUCTIONS:</b>		
Benefits and annuity withdrawals	-	1,216,872
Administrative expenses	-	10,544
Payments in accordance with trust agreements	<u>97,700</u>	<u>-</u>
<b>TOTAL DEDUCTIONS</b>	<u>97,700</u>	<u>1,227,416</u>
<b>CHANGE IN NET ASSETS</b>	83,900	(150,196)
Net assets, beginning of year	<u>338,355</u>	<u>24,994,435</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 422,255</u></u>	<u><u>\$ 24,844,239</u></u>

The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan**

**COMPONENT UNITS**

**COMBINING STATEMENT OF NET ASSETS**

June 30, 2005

	<b>Board of Light and Power</b>	<b>Peter White Public Library</b>	<b>Nonmajor Component Units</b>	<b>Total</b>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 3,483,871	\$ 386,123	\$ 1,583,133	\$ 5,453,127
Investments	6,786,821	1,209,239	366,550	8,362,610
Receivables, net	1,339,446	1,063,789	317,220	2,720,455
Internal balances	-	-	(146,600)	(146,600)
Inventory	4,266,374	-	17,790	4,284,164
Prepaid expenses and other assets	67,298	19,953	-	87,251
<b>TOTAL CURRENT ASSETS</b>	<b>15,943,810</b>	<b>2,679,104</b>	<b>2,138,093</b>	<b>20,761,007</b>
Noncurrent Assets:				
Restricted Assets	6,218,696	-	-	6,218,696
Unamortized bond issuance costs	72,867	-	-	72,867
Investment in UPPPA	1,801,085	-	-	1,801,085
Capital assets:				
Land	-	114,704	-	114,704
Other capital assets	113,361,354	11,080,564	12,039,342	136,481,260
Accumulated depreciation	(73,572,948)	(4,174,854)	(7,036,955)	(84,784,757)
Total Capital Assets	39,788,406	7,020,414	5,002,387	51,811,207
<b>TOTAL NONCURRENT ASSETS</b>	<b>47,881,054</b>	<b>7,020,414</b>	<b>5,002,387</b>	<b>59,903,855</b>
<b>TOTAL ASSETS</b>	<b>63,824,864</b>	<b>9,699,518</b>	<b>7,140,480</b>	<b>80,664,862</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	1,954,588	26,500	576,602	2,557,690
Accrued liabilities	138,763	-	129,627	268,390
Unearned revenue	-	1,056,061	308,003	1,364,064
Compensated absences	793,157	-	-	793,157
Customer deposits payable	1,319,078	-	-	1,319,078
Current portion of bonds payable	-	410,000	178,572	588,572
Current portion of notes and contracts payable	-	-	11,637	11,637
Other current liabilities	40,000	-	-	40,000
Current Liabilities (payable from restricted assets):				
Current maturities on revenue bonds	3,805,000	-	-	3,805,000
Revenue bond accrued interest payable	203,062	-	-	203,062
Total Current Liabilities (payable from restricted assets)	4,008,062	-	-	4,008,062
<b>TOTAL CURRENT LIABILITIES</b>	<b>8,253,648</b>	<b>1,492,561</b>	<b>1,204,441</b>	<b>10,950,650</b>
Noncurrent Liabilities:				
Compensated absences	-	86,404	-	86,404
Bonds payable	8,123,612	3,785,000	857,142	12,765,754
Notes payable	856,923	-	6,039	862,962
Other	601,655	-	35,941	637,596
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>9,582,190</b>	<b>3,871,404</b>	<b>899,122</b>	<b>14,352,716</b>
<b>TOTAL LIABILITIES</b>	<b>17,835,838</b>	<b>5,363,965</b>	<b>2,103,563</b>	<b>25,303,366</b>
<b>NET ASSETS</b>				
Invested in capital assets net of related debt	31,664,794	2,825,414	3,948,997	38,439,205
Restricted:	-			
Debt Service	-	439,088	-	439,088
Other activities	2,210,634	763,975	-	2,974,609
Unrestricted	12,113,598	307,076	1,087,920	13,508,594
<b>TOTAL NET ASSETS</b>	<b>\$ 45,989,026</b>	<b>\$ 4,335,553</b>	<b>\$ 5,036,917</b>	<b>\$ 55,361,496</b>

The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan**

**COMPONENT UNITS**

**COMBINING STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2005

Function / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Board of Power and Light	Peter White Public Library	Nonmajor Component Units	Total
Board of Light and Power Operations	\$ 24,581,020	\$ -	\$ 900,266	\$ 738,495	\$ -	\$ -	738,495
Peter White Public Library Recreation and culture	206,374	373,650	-	-	(1,429,035)	-	(1,429,035)
Nonmajor Component Units Operations	601,586	1,181,656	-	-	-	(304,735)	(304,735)
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 25,388,980</b>	<b>\$ 1,555,306</b>	<b>\$ 900,266</b>	<b>738,495</b>	<b>(1,429,035)</b>	<b>(304,735)</b>	<b>(995,275)</b>
General Revenues:							
Property taxes	-	-	-	638,058	394,253	259,143	1,253,396
Interest and investment earnings	31,989	-	-	31,989	86,154	22,566	746,778
Miscellaneous	-	-	-	-	5,639	70,492	108,120
<b>TOTAL GENERAL REVENUES</b>	<b>670,047</b>	<b>-</b>	<b>-</b>	<b>670,047</b>	<b>1,086,046</b>	<b>352,201</b>	<b>2,108,294</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,408,542</b>	<b>-</b>	<b>-</b>	<b>1,408,542</b>	<b>(342,989)</b>	<b>47,466</b>	<b>1,113,019</b>
Net assets, beginning of year	44,580,484	-	-	44,580,484	4,678,542	4,989,451	54,248,477
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 45,989,026</b>	<b>-</b>	<b>-</b>	<b>\$ 45,989,026</b>	<b>\$ 4,335,553</b>	<b>\$ 5,036,917</b>	<b>\$ 55,361,496</b>

The accompanying notes are an integral part of these financial statements.

## City of Marquette, Michigan

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The City of Marquette, Michigan was incorporated February 27, 1871, under the provision of Act 279, PS 1909, as amended (Home Rule City Act). The City operates under a Commissioner - Manager form of government and the services provided to the citizens include: legislative, executive, elections, general services, public safety and fire protection, inspection, public works, sanitation, parking systems, social services, parks and recreation, cultural, conservation of natural resources, planning and other functions. In addition, the City operates four enterprise funds and two internal service funds, which provide water and sewer services, marina services, stormwater management, transportation acquisition and maintenance, transportation rental and building rental.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the City are described below.

#### **(1) REPORTING ENTITY**

The City's financial statements present the City (the primary government) and its component units. In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the City may or may not be financially accountable and, as such, be includable within the City's financial statements. In accordance with GASB Statement #14, the City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. Each blended and discretely presented component unit has a June 30 year-end.

***Fire and Police Retirement System*** – The City of Marquette is the administrator of a single-employer public employee retirement system established and administered by the City to provide

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

pension benefits for the Fire and Police Department employees. The Fire and Police Retirement System is considered part of the City of Marquette financial reporting entity and is included in the City's financial report as a pension trust fund.

### **BLENDED COMPONENT UNITS**

***City of Marquette Building Authority*** – The City of Marquette Building Authority's governing body consists of the City Manager, Finance Director and City Attorney which are appointed by the governing board of the reporting entity. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings. The reporting entity has guaranteed the debt issues of the Authority.

### **DISCRETELY PRESENTED COMPONENT UNITS**

#### **Proprietary Fund Type**

***City of Marquette Board of Light and Power*** – The Board of Light and Power's operating results are held accountable to the government's governing body. The rates for user charges and debt issuance authorizations are approved by the government's governing body. The reporting entity has the responsibility to fund deficits and operating deficiencies. Prior to 1993-94, this entity had been blended with and included in the City's reporting entity as an enterprise fund.

A complete financial statement of the component unit can be obtained directly from the administrative office.

City of Marquette Board of Light and Power  
2200 Wright Street  
Marquette, MI 49855

***Marquette Housing Commission*** – The Marquette Housing Commission's governing board is appointed by the City Mayor with the confirmation of the commission.

A complete financial statement of the component unit can be obtained directly from the administrative office.

Marquette Housing Commission  
316 Pine Street  
Marquette, MI 49855

#### **Governmental Fund Type**

***City of Marquette Downtown Development Authority*** – The Downtown Development Authority's governing board is appointed by the City's Mayor with the confirmation of the Commission and includes the City Manager of the reporting entity. The reporting entity has the responsibility to fund



## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

deficits and operating deficiencies, as well as a guarantee for any debt the Authority issues.

Separate financial statements for the City of Marquette Downtown Development Authority are not developed; however, information can be obtained from the City's Finance Department upon request, located at 300 West Baraga Avenue, Marquette, Michigan 49855.

***Peter White Public Library*** – The Peter White Public Library's governing body is appointed by the City's Mayor with the confirmation of the Commission. The reporting entity has the responsibility to fund deficits and operating deficiencies.

Separately issued financial statements of the Peter White Public Library component unit can be obtained from the City's Finance Department located at 300 West Baraga Avenue, Marquette, Michigan 49855.

GASB Statement #14 requires reasonable separation between the Primary Government (including its blended component units) and its discretely presented component units, both in the financial statements and in the related notes and required supplementary information. Because the discretely presented component units, although legally separate, have been and are operated as if each is part of the primary government, there are limited instances where special note reference or separation will be required. If no separate note reference or categorization is made, the user should assume that information presented is equally applicable.

### **JOINT VENTURES**

As defined in GASB Statement #14, a joint venture is a legal entity or other organization that results from a contractual arrangement (or interlocal agreement) and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The City participates in the following joint ventures:

***Marquette Area Wastewater Treatment Facility*** - The Marquette Area Wastewater Treatment Facility's governing board includes joint representation as appointed by the participating governments' governing bodies. As enumerated in Footnote D, the facility is being accounted for as an equity investment within the reporting entity.

***Marquette County Solid Waste Management Authority*** - The Marquette County Solid Waste Management Authority's governing board includes joint representation as appointed by the participating governments' governing bodies. The reporting entity's representation consists of two of seven members and does not constitute enough representation to exert significant influence over the Authority's operations. The Authority selects management staff, sets user charges, budgets and controls all aspects of its operations and developments. The reporting entity provided its proportionate share of the initial funding and has guaranteed its proportional share of the Authority's outstanding debt.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### **(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS:**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, public works, sanitation, social services, recreation and culture, and general administrative services are classified as governmental activities. The City's water, sewer, stormwater, transportation center, and marina services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The City allocates indirect costs through an administrative service fee that is charged by the General Fund to the other operating funds to recover the direct costs of General Fund services provided (finance, personnel, purchasing, legal, technology, etc.)

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

### **(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS:**

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

The following fund types are used by the City:

### ***Governmental Funds:***

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

***General Fund*** – The General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

***Special Revenue Funds*** – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

***Debt Service Funds*** – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

***Capital Projects Funds*** – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

***Component Units*** – Component units are used to account for the discretely presented component units which follow governmental fund accounting guidelines.

### ***Proprietary Funds***

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

***Enterprise Funds*** – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

***Internal Service Funds*** – Internal Service Funds are used to finance, administer and account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit or to other governmental units on a cost reimbursement basis.

***Component Units*** – Component units are used to account for the discretely presented component units which follow proprietary fund accounting guidelines.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### ***Fiduciary Funds***

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Major Street and Trunkline Fund** accounts for the receipt of allocated state shared gas and weight taxes. The expenditure of these funds is restricted to Federal and State trunklines and certain "mile" roads designated as major under contractual agreement with the State of Michigan.

The **Local Street Fund** accounts for the allocated state shared gas and weight taxes for remaining City roads.

The **Construction Fund** accounts for the development, improvement and rehabilitation of City infrastructure.

The City reports the following major proprietary funds:

The **Water Supply and Sewage Disposal Fund** accounts for the activities related to water treatment and distribution, sanitary sewer operation and booster stations, and billing for services.

The **Stormwater Utility Fund** accounts for the management of stormwater related activities including billing, maintenance and construction.

The City's internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (general government, public works, etc.)

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements. The Special Activities Private-Purpose Trust Fund is used to account for the

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

contributions from private sources restricted for special projects. The Fire-Police Retirement System Fund is used to account for the accumulation of resources to be used for the retirement annuity payments at appropriate amounts and times in the future. The Agency Fund is used to record the collection and payment of property taxes billed and collected by the City on behalf of the County, the School Districts, and the Intermediate School District.

### **(4) BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

#### ***Accrual***

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting.

Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds, private-purpose trust funds, and pension trust funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled electric, water, and sewer services are accrued as revenue in the Component Unit and Water Supply and Sewage Disposal Funds based upon estimated consumption at year-end.

#### ***Modified Accrual***

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. Sales taxes collected and held by the State at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### **(5) FINANCIAL STATEMENT AMOUNTS**

***Budgets and Budgetary Accounting*** – The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On the third Monday in April, the City Manager submits to the City Commission a proposed operating budget for the ensuing fiscal year commencing July 1 in accordance with Section 8.2 of the City Charter. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to its adoption, a public hearing is conducted at City Hall to obtain taxpayer comments.
3. No later than the third Monday in May, the budget is adopted by the City Commission in accordance with the provisions of Section 8.6 of the City Charter.
4. The City Commission adopts the budget by functional categories as presented in the basic financial statements. Any transfers of appropriation between functions must be approved by the City Commission. All unexpended appropriations lapse at fiscal year-end.
5. Formal budgetary integration is employed as a management control device for the General Fund, all Special Revenue Funds, Debt Service Funds and Capital Project Funds. Informational budget summaries only are adopted for the Enterprise and Internal Service Funds. Such funds are not covered under the State of Michigan's Public Act 621 nor the City's General Appropriations Act.
6. The City Commission has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined. Once originally adopted, the budget was formally amended two times during the fiscal year.
7. The legally adopted budgets for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds and the informational summaries for the Enterprise and Internal Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

***Cash Equivalents*** – For the purposes of balance sheet classification and the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted assets which contain cash equivalents are included in analyzing the effect on cash and cash equivalents in the Statement of Cash Flows.

***Inventory*** – Inventory is valued at cost using both the first-in, first-out (FIFO) method and the average cost method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

**Capital Assets** – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. The cost of construction in progress includes interest costs incurred during the construction period. The amount of capitalized interest is determined using the weighted average amount of accumulated expenditures multiplied by the interest rate for the obligation incurred specifically to finance the construction of the asset.

Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	20 years
Building, structures and improvements	50 years
Equipment	5-35 years
Water and Sewage System	25-75 years
Electric System – Component Unit	5-80 years
Stormwater System	25 years
Infrastructure	20-50 years

The cost of normal maintenance and repairs is charged to operations as incurred. Renewals and betterments are capitalized and depreciated over the remaining useful lives of the related properties.

A portion of the depreciation provision for the electric component unit is being charged to the cost of fuel for those vehicles which groom and work the coal pile.

**Long-Term Liabilities** – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

**Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

**Property Taxes** – Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied no later than the third Monday in May and payable on July 1. Taxes receivable are recorded when levied, as the legal right to receive exists. However, such revenues are not normally received until after the 60 day period following the fiscal year-end. Accordingly, deferred revenue is being recognized for such amounts.

The City bills and collects its own property taxes and also the taxes for the local school district, the Intermediate School District, and the County. Collections of local school taxes, Intermediate School District taxes, and County taxes, and their remittance are accounted for in the Agency Fund.

**Worker's Compensation** – The City's policy is to pay worker's compensation premiums as incurred. Any additional premiums or refunds resulting from experience adjustments are recorded in the year made or received, respectively.

**Comparative Data** – Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of the changes in the City's financial position and operations.

**Compensated Absences** – The City accrues accumulated unpaid vacation, sick leave, and benefit days and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

**Interfund Activity** – Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.



**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**Implementation of New Accounting Principles** – In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments (GASB No. 34)*. The City has elected to utilize the infrastructure transition option in the implementation of GASB No. 34 and will defer the retroactive reporting of the general and infrastructure reporting provisions of the Statement until the subsequent year. Current year additions to infrastructure have been included in these financial statements.

**NOTE B – DEPOSITS AND INVESTMENTS:**Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and its component units from the Statement of Net Assets:

	Primary Government	Component Units	Fiduciary Funds	Total
Unrestricted:				
Cash and cash equivalents	\$7,493,429	\$5,453,127	\$2,220,701	\$15,167,257
Investments	2,707,500	8,362,610	24,451,151	35,521,261
	<u>10,200,929</u>	<u>13,815,737</u>	<u>26,671,852</u>	<u>50,688,518</u>
Restricted:				
Cash and cash equivalents	2,290,104	4,020,696	-	6,310,800
Investments	849,045	2,198,000	-	3,047,045
	<u>3,139,149</u>	<u>6,218,696</u>	<u>-</u>	<u>9,357,845</u>
TOTALS	<u>\$13,340,078</u>	<u>\$20,034,433</u>	<u>\$26,671,852</u>	<u>\$60,046,363</u>

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State law does not require and the City does not have a deposit policy for custodial credit risk. The carrying amounts of the primary government, component unit and fiduciary fund's deposits with financial institutions was \$21,478,057 and the bank balance was \$24,320,838. The bank balance is categorized as follows:

Amount insured by the FDIC or uncollateralized with securities held by the City in its name	\$1,834,549
Amount collateralized with securities held by the pledging financial institutions trust department in the City's name:	
Collateralized and uninsured	<u>22,486,289</u>
	<u>\$24,320,838</u>

**NOTE B – DEPOSITS AND INVESTMENTS (Continued):**Investments

As of June 30, 2005, the City had the following investments.

	Fair Value	Investment Maturities (In years)			
		Less than 1	1-5	6-10	More than 10
<b>PRIMARY GOVERNMENT:</b>					
Unrestricted Investments:					
U.S. Government Agencies	\$2,707,500	\$1,405,980	\$1,301,520	\$-	\$-
Restricted Investments:					
U.S. Government Agencies	849,045	849,045	-	-	-
TOTAL INVESTMENTS	\$3,556,545	\$2,255,025	\$1,301,520	\$-	\$-
<b>COMPONENT UNITS:</b>					
U.S. Treasury Notes	2,195,194	2,169,151	26,043	-	-
U.S. Government Agencies	327,266	64,844	287,297	-	-
Mutual Bond Funds	397,039	308,275	88,764	-	-
Mutual Equity Funds	458,891	458,891	-	-	-
Time Deposits	7,182,220	5,268,103	1,914,117	-	-
TOTAL INVESTMENTS	\$10,560,610	\$8,269,264	\$2,316,221	\$-	\$-
<b>FIDUCIARY FUNDS:</b>					
U.S. Government Agencies	\$5,018,812	\$2,392,864	\$1,534,763	\$824,622	\$266,563
Domestic Corporation Bonds	3,968,452	1,210,432	2,497,202	-	260,818
Common, Pooled Fund	15,459,157	15,459,157	-	-	-
Government National Mortgage Association	4,730	-	529	-	4,201
TOTAL INVESTMENTS	\$24,451,151	\$19,062,453	\$4,032,494	\$824,622	\$531,582

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City's investments. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk*

Michigan statutes (Act 196, PA 1997) authorize the City to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

## NOTE B – DEPOSITS AND INVESTMENTS (Continued):

Michigan statute (Act 314, PA 1965, as amended) authorizes the pension trust to invest in, with certain restrictions, stocks and mutual funds up to 60% of the system's assets; investments in the general or separate account of life insurance companies; fixed income securities; investments in leased property; direct investments in property; investments in real estate loans; investments in small business or venture capital firms in Michigan; surplus funds pooled accounts; and bank or trust company collective investment funds.

The City has no investment policy that would further limit its investment choices. The City's investments in Mutual Bond Funds are rated from A1 to AAA by Moody's. Ratings are not required for the City's investment in U.S. Government Agencies or equity-type funds. The City's investments are in accordance with statutory authority.

### *Concentration of Credit Risk*

The City places no limit on the amount the City may invest in any one issuer. There were no investments subject to concentration of credit risk disclosure.

## NOTE C – RESTRICTED ASSETS – PROPRIETARY FUNDS AND COMPONENT UNIT:

The proceeds from debt and other funds set aside for the payment of the enterprise fund revenue bonds are classified as restricted assets since their use is limited by applicable bond indentures and ordinances. The major provisions of the ordinances covering the bond indentures of the component unit (Board of Light and Power) and the Water Supply and Sewage Disposal Fund are as follows:

1. ***Rates*** – The component unit fund only shall charge and collect rates necessary to provide net revenues sufficient to cover annual debt service not less than 1.3 times.
2. ***Receiving Fund*** – All system revenues will be paid into this fund, including interest income, to the extent interest income is not retained in the construction or bond reserve funds.
3. ***Operation and Maintenance Fund*** – Monthly transfers must be made from the Receiving Fund, which is used for initial deposit of all receipts, to the Operation and Maintenance Fund (included under current assets) to cover payment of next month's estimated operating expenses.
4. ***Bond Reserve Fund*** – Monthly transfers must be made to the Bond Reserve Fund in an amount equal to the maximum annual principal and interest on the revenue bonds.
5. ***Replacement/Maintenance Fund*** – Monthly transfers are to be made as necessary, up to required levels, to make major repairs and replacements to the systems.
6. ***Bond and Interest Redemption*** – Transfers will be made from the Receiving Fund in amounts sufficient to pay the current bond and interest maturities.

**NOTE C – RESTRICTED ASSETS – PROPRIETARY FUNDS AND COMPONENT UNIT (Continued):**

7. ***Bond Escrow Fund*** – Transfers were made to the Bond Escrow Fund to provide for the normal retirement, including interest, of the capitalized leases, and revenue bond issues. Transfers will be made to the Bond and Interest Redemption Fund as the obligations become due.
8. ***Vacation, Sick Leave and Benefit Days Reserve*** – Transfers will be made to the vacation and sick leave reserve to provide funding for accrued vacation, sick leave, and benefit day liabilities to be paid to employees upon retirement or termination.
9. ***Tax Payment Fund*** – Transfers will be made to the Tax Payment Fund in amounts sufficient to make payments in lieu of taxes to the City of Marquette. Transfers into this fund are subordinate to payments of the above listed funds.
10. ***Plant Replacement – Risk Retention Fund*** – Transfers will be made, as the Board determines necessary to the fund, to finance major system repairs or replacements and provide for potential claims not covered by existing insurance policies. Transfers to this fund are subordinate to transfers to the tax payment fund noted above.
11. ***Plant Improvement Fund*** – Transfers will be made to the Plant Improvement Fund as the Board deems necessary for improvements, enlargements and extensions of the system. Transfers to this fund are subordinate to transfers to the Plant Replacement Fund.
12. Transfers from the Water Supply and Sewage Disposal Fund may be made to the General Fund up to 40% of the surplus remaining at the end of the preceding fiscal year.
13. The balance of revenues remaining after the above requirements are met shall, at the option of the governing agency, be transferred to the Bond Reserve Fund for the purpose of calling bonds.

The City Charter allows the transfer to the General Fund of 50% of the preceding year's net income of public utilities. The amount of net income not transferred to the General Fund must be held in a reserve account for future capital outlay. Expenditures shall be charged to the reserve account.

The composition of restricted asset accounts for the respective primary government enterprise and internal service funds and the respective component units are as follows:

	Water Supply And Sewage Disposal Fund	Marina Fund	Stormwater Utility Fund	Motor Vehicle Equipment Fund	Municipal Service Center Fund	Primary Government Total	Component Units
Cash and cash equivalents	\$1,206,083	\$331,133	\$42,901	\$703,457	\$6,530	\$2,290,104	\$4,020,696
Investments	<u>591,702</u>	<u>-</u>	<u>257,343</u>	<u>-</u>	<u>-</u>	<u>849,045</u>	<u>2,198,000</u>
TOTALS	<u>\$1,797,785</u>	<u>\$331,133</u>	<u>\$300,244</u>	<u>\$703,457</u>	<u>\$6,530</u>	<u>\$3,139,149</u>	<u>\$6,218,696</u>

#### **NOTE D – JOINT VENTURE – INVESTMENT IN WASTEWATER PLANT:**

The City has entered into a contract with the adjacent Townships of Chocolay and Marquette through the County of Marquette to construct and operate a wastewater plant known as the Marquette Area Wastewater Treatment Facility. Under the original agreement the City owned 79.8% of the facility, the Township of Marquette owned 5.5%, and the Township of Chocolay owned 14.7%. The cost of construction amounted to approximately \$12,000,000 and was financed by Federal and State grants for 80% of the cost and \$2,500,000 general obligation bonds issued by Marquette County. The full faith and credit of the City (refer to Note E) and the two Townships have been pledged. The total investment in the Facility at June 30, 2005 by the City is \$2,909,394, including local contributions and its proportionate share of the net equity of the facility.

In the Spring of 1993, the City of Marquette and Chocolay Township each sold 2.25% of capacity to Marquette Township. The new ownership percentages are; the City of Marquette owns 77.55%, Chocolay Township owns 12.45%, and Marquette Township owns 10.00%.

The City utilizes the equity method of accounting for the activity in its investment in the Facility. Under the equity method, the investment is adjusted for any additional capital investments made and its proportionate share of the Facility's results of operations.

As required by Governmental Accounting Standards Board Statement # 14, the City's equity interest is shown as an asset in the Water Supply and Sewage Disposal Fund. The separately issued audited financial statements can be obtained at the City's Finance Department located at 300 West Baraga Avenue, Marquette, Michigan 49855.

A summary of condensed financial information of the Facility, in the aggregate, is as follows:

Assets	\$5,760,122
Liabilities	507,468
Equity	5,252,654
Revenues	1,180,625
Expenses	1,595,332
Other income	21,811
Loss from operations	(414,707)
City's share of net (loss)	(27,593)
City's share of capital investments	66,297

#### **NOTE E – CAPITALIZED LEASE OBLIGATIONS:**

The City has a lease obligation with the County of Marquette as a result of the construction of the pumping station and sanitary sewers in conjunction with the construction of the Marquette Area Wastewater Treatment Facility. Accordingly, the City's lease obligation corresponds to its share of the interest and principal payments required to retire the bond issue.

**NOTE E – CAPITALIZED LEASE OBLIGATIONS (Continued):**

On July 28, 1998, the County of Marquette issued \$1,485,000 Marquette County Refunding Bonds Unlimited Tax Series 1998 to refund in part the Marquette County Wastewater Treatment Bonds, Series 1978. This refunding bond issue changed the City's lease obligation with the County of Marquette from 76.2% to 75.5% of the total debt resulting in a cumulative net savings of \$60,257 for the City. The advance refunding also resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$47,336. This difference, reported in the accompanying financial statements as deferred amounts on refunding, is being charged to operations through the year 2008 using the effective-interest method.

The carrying amount of the City's portion of the project at June 30, 2005 is \$483,464. The City will finance debt requirements with the revenues of the water and sewer system. Data relating to the above agreement is summarized below:

	<u>Pump Station and Sanitary Sewers</u>
Interest Rate	4.3 – 4.4%
Terms of principal maturities	December 1, 1998 to December 1, 2008

Annual maturities on the Water Supply and Sewage Disposal Fund capitalized lease obligations are as follows:

	<u>Refunded July 28, 1998 Capitalized Lease Obligations</u>
Principal and interest maturities:	
Year Ending June 30:	
2006	\$139,177
2007	133,980
2008	128,783
2009	123,524
Minimum lease payments	<u>525,464</u>
Less: Amount representing interest at the City's incremental borrowing rate of interest	<u>(42,000)</u>
<b>PRESENT VALUE OF MINIMUM LEASE PAYMENTS</b>	<u><u>\$483,464</u></u>

## NOTE F – LONG – TERM DEBT:

The following is a summary of long-term debt transactions of the primary government and all component units for the year ended June 30, 2005:

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Water Supply and Sewage Disposal Fund:				
Lakeshore Park Place Note	\$ 149,991	\$-	\$18,418	\$131,573
State Act 94 Clean Water Assistance Loan	3,470,000	-	-	3,470,000
4.3-4.4%, 1998 Refunded Capitalized Lease Obligations	600,553	-	117,089	483,464
6.1-9.5%, Revenue Bonds, Series 1986	60,000	-	60,000	-
2.0% Revenue Bonds, Series 2004A	140,000	-	5,000	135,000
2.0%-4.1% Refunding Revenue Bonds	5,920,000	-	555,000	5,365,000
Marina Fund:				
4.75-5.8%, Revenue Bonds, Series 1994	55,000	-	55,000	-
2.0% Revenue Bonds, Series 2004A	690,000	-	20,000	670,000
Stormwater Utility Fund:				
4.1-5.0%, Revenue Bonds, Series 1995	1,510,000	-	215,000	1,295,000
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b><u>\$12,595,544</u></b>	<b><u>\$ -</u></b>	<b><u>\$1,045,507</u></b>	<b><u>\$11,550,037</u></b>
<b>GOVERNMENTAL ACTIVITIES:</b>				
Lakeshore Park Place Note	\$ 150,046	\$ -	\$18,425	\$131,621
GEMS Installment Note	287,414	-	42,682	244,732
State Infrastructure Bank Note	1,243,100	-	82,873	1,160,227
2003 General Obligation Bonds	3,935,000	-	135,000	3,800,000
2005 General Obligation Bonds	-	5,000,000	-	5,000,000
Department of Transportation Bonds	1,710,000	-	310,000	1,400,000
1998 Building Authority Refunding Bonds	4,345,000	-	165,000	4,180,000
1998 Building Authority Bonds - Lakeview Arena	445,000	-	105,000	340,000
Marquette County Solid Waste Landfill Authority Bonds, Series 1988 (Revised July 30, 1994)	90,949	-	15,158	75,791
Accrued Compensated Absences	978,809	189,349	189,768	978,390
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b><u>\$13,185,318</u></b>	<b><u>\$5,189,349</u></b>	<b><u>\$1,063,906</u></b>	<b><u>\$17,310,761</u></b>
<b>COMPONENT UNITS:</b>				
Board of Light and Power Electric Utility				
4.8 - 5.125% Revenue Bonds, Series 1993	\$15,605,075	\$ -	\$3,676,463	\$11,928,612
Peter White Public Library				
1997 General Obligation Bonds - Library Improvement	3,690,000	-	180,000	3,510,000
1998 Building Authority Bonds - Library	890,000	-	205,000	685,000
Accrued compensated absences	75,887	10,517	-	86,404
Downtown Development Authority:				
Note payable - tractor	28,749	-	11,073	17,676
2001 Tax Increment Bonds	357,143	-	71,429	285,714
2005 Tax Increment Bonds	-	750,000	-	750,000
<b>TOTAL COMPONENT UNITS</b>	<b><u>\$20,646,854</u></b>	<b><u>\$760,517</u></b>	<b><u>\$4,143,965</u></b>	<b><u>\$17,263,406</u></b>

#### **NOTE F – LONG – TERM DEBT (Continued):**

The City's component Units (Board of Light and Power and Peter White Library), the Marina, Water Supply and Sewage Disposal Fund revenue bonds, general obligation bonds, and capital lease obligations outstanding are recorded in the respective Component Unit and Enterprise Fund. The Component Units' debt and the Enterprise Fund debt are expected to be repaid from proprietary revenues.

As of June 30, 2000, the City had a secured credit agreement with maximum borrowings of \$750,000 and an interest rate of 4.88% per annum for the purpose of making certain street and utility improvements along Lakeshore Boulevard in conjunction with the Lakeshore Park Place special assessment project. At June 30, 2005, the amount borrowed was \$399,926 of which \$199,926 was recorded in the Water Supply and Sewage Disposal Fund and \$200,000 was recorded as Governmental Activities long-term debt. The note will be paid off in ten consecutive and equal annual principal and interest payments on the outstanding principal amounts due each year, beginning August 5, 2001.

On April 1, 1996, the City of Marquette, Michigan issued \$6,435,000 Water Supply and Sewage Disposal System Revenue Bonds, Series 1996. The Water Supply and Sewage Disposal System Revenue Bonds were issued for the purpose of financing the cost of expanding and making certain improvements to the water supply and filtration system of the City in accordance with a resolution adopted by the City Commission of the City on March 11, 1996, pursuant to Act 94, Public Acts of Michigan, 1933, as amended.

In March of 1994, the City of Marquette, Michigan through the Michigan Municipal Bond Authority, issued \$1,000,000 Marina Development Revenue Bonds as authorized by Act 227, Public Acts of Michigan, 1985, as amended. The City of Marquette acquired, constructed and is maintaining a marina, including a fully floating pier system with wells for approximately ninety-eight boats, accessible shore power, water, telephone and cable TV service, diesel and unleaded fuel availability, a comfort station/office, a launch ramp, parking, security/decorative lighting and other equipment, accessories and facilities.

On November 1, 1995, the City of Marquette, Michigan, issued \$2,740,000 Stormwater Revenue Bonds. The Stormwater Revenue Bonds were issued for the purpose of acquiring and constructing certain stormwater utility improvements in the City in accordance with a resolution adopted by the City Commission of the City, on August 28, 1995 pursuant to Act 94, Public Acts of Michigan, 1934, as amended.

On April 8, 2002, the City issued \$367,859 of GEMS Installment Notes for the purpose of purchasing computer equipment and software to be used for the City's general finance operations. The notes will be paid off in eight annual principal installments beginning April 1, 2004 and ending on April 1, 2010. Interest shall be payable semi-annually beginning October 1, 2002 at a rate equal to 4.60% per annum.

On December 17, 1992, the City of Marquette, Michigan, through the Michigan Municipal Bond Authority, issued \$1,790,000 Michigan Transportation Fund Bond, Series 1992. The Michigan



## **NOTE F – LONG – TERM DEBT (Continued):**

Transportation Bonds were issued for the purpose of making certain street improvements in the City in accordance with a resolution adopted by the City Commission of the City, on November 3, 1992, pursuant to the provisions of Act 175, Public Acts of Michigan, 1952, as amended. The Department of Transportation bonds are for the purpose of constructing roadway improvements and were used in part for the downtown renovation/construction project and in part for match purposes on a Small Cities Grant Project. The bonds will be paid by the General Fund through a transfer of monies to the Major and Local Street Funds.

On June 24, 1999, the City issued \$2,480,000 in Michigan Transportation Fund Refunding Bonds, Series 1999 with interest rates ranging from 3.5% to 4.75% to advance refund \$2,280,000 of outstanding "Michigan Transportation Fund Bonds, Series 1986" dated September 25, 1986 (the "1986 Prior Bonds"); the "Michigan Transportation Fund Bonds, Series 1989" dated August 10, 1989 (the "1989 Prior Bonds"); and the "Michigan Transportation Fund Bonds, Series 1999" 7.1%, maturing in the years 1999 through 2009. There were no net proceeds (after payment of \$200,000 in underwriting fees, insurance, and other issuance costs). As a result, the 1986, 1989, and 1992 issue bonds maturing in fiscal years 1999 through 2009 are considered to be defeased and the liability for those bonds has been removed from Governmental Activities long-term debt balance. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2005, \$1,355,000 of bonds outstanding are considered defeased.

In August of 1991, the City of Marquette, Michigan, through the Michigan Municipal Bond Authority, issued \$5,200,000 Building Authority Bonds. The City of Marquette Building Authority Municipal Obligations were issued pursuant to Act No. 31, of the Public Acts of 1948, as amended (AAct 31") for the construction of a Municipal Service Center. The Municipal Service Center houses administrative offices and employee work areas for the departments of Engineering, Public Works, Water Supply and Sewage Disposal, Parks & Recreation, and Motor Pool, provides storage and warehousing for supplies and materials, and equipment storage and maintenance areas, contains a fuel depot and provides parking areas and outside materials storage. The principal of and interest on the City of Marquette Building Authority Municipal Obligations have been paid off, and were secured by a statutory lien upon, cash rental payments to be paid by the City of Marquette to the City of Marquette Building Authority pursuant to a Contract of Lease between the parties for the Municipal Service Center constructed with the proceeds of the City of Marquette Building Authority Municipal Obligations. The full faith and credit of the City of Marquette has been pledged for the payment of the cash rental under the Contract of Lease. The City of Marquette has agreed to levy ad valorem taxes each year to the extent necessary for the payment of such cash rentals, subject to applicable constitutional, statutory and charter limitations.

On June 16, 1998, the City issued \$4,945,000 in Building Authority Refunding Bonds, Series 1998 with interest rates ranging from 3.8% to 5.125% to advance refund \$4,535,000 of outstanding Building Authority Bonds, Series 1991 with interest rates ranging from 6.00% to 6.875% maturing in fiscal years 2002 through 2021. The 1998 Issue net proceeds of \$4,790,820 (after payment of \$154,180 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent

## **NOTE F – LONG -TERM DEBT (Continued):**

to provide for all future debt service interest and principal payments on the 1991 Issue refunded bonds. As a result, the 1991 Issue bonds maturing in fiscal years 2002 through 2021 are considered to be defeased and the liability for those bonds has been removed from the Governmental Activities long-term debt balance.

Also, the irrevocable trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2005, \$3,985,000 of bonds outstanding are considered defeased.

The 1998 Building Authority Bonds - Lakeview Arena were issued for the purpose of defraying the cost of renovating, constructing, furnishing and equipping improvements to the existing Lakeview Arena. The bonds were issued pursuant to the provisions of Act 31 of P.A. 1948, as amended. The Bond's principal and interest are payable from lease payments required to be paid by the City to the Building Authority pursuant to the Contract of Lease between the City and the Authority.

On November 3, 1988, the City of Marquette authorized the sale of Marquette County Solid Waste Landfill Authority Bonds, Series 1988, in the amount of \$2,675,000 to pay for part of the cost of acquiring, constructing, and establishing a sanitary landfill and a solid waste management system. The City's proportionate share of the bonds is 31 percent or \$798,250. The City's portion of the bond's principal and interest are payable from General Fund tax levies. In July of 1993, the Authority advance refunded a portion of this issue maturing in fiscal years 1997-2009 with the 1993B Issue, Refunding Bonds.

On December 27, 1997, the City of Marquette, Michigan, issued \$4,500,000 General Obligation Unlimited Tax Library Improvement Bonds for the purpose of defraying a portion of the cost of expanding and renovating the Peter White Public Library located in the City of Marquette. The bonds were issued pursuant to the provisions of Act 227, Public Acts of Michigan, 1985, as amended. The full faith and credit of the City of Marquette are pledged for the payment of the principal and of the interest on the bonds when due.

On June 16, 1998, the City of Marquette Building Authority, issued \$2,000,000 Building Authority Bonds (Peter White Public Library) Series 1998 for the purpose of defraying the cost of renovating, constructing, furnishing and equipping improvements to the existing Peter White Public Library. The bonds were issued pursuant to the provisions of Act 31 of P.A. 1948, as amended. The bond's principal and interest are payable from lease payments required to be paid by the City of Marquette to the Building Authority pursuant to the Contract of Lease between the City and the Authority.

When all of the Building Authority Bonds have been retired the Authority shall convey all rights, title, and interest to the City of Marquette.

Pursuant to Section 162.2 of Act 197, Public Acts of Michigan, as amended on October 11, 2001, the Marquette Downtown Development Authority (DDA) issued Tax Increment Bonds in the amount of \$500,000 at a 4.6% interest rate designated as Tax Increment Bonds, Series 2001, to finance a portion of the costs of certain public improvements within the downtown district. The principal and interest payable on the bonds shall be repaid solely from tax increment revenues received by the

## **NOTE F – LONG -TERM DEBT (Continued):**

DDA.

On July 25, 2003, the City issued \$1,243,100 of State Infrastructure Bank Notes for the purpose of financing transportation infrastructure improvements through the County Road (CR) 550 Flood Repair and Spring Street Reconstruction project. The notes will be paid off in 15 annual principal installments beginning July 25, 2004 and ending July 25, 2019, plus interest at the rate of zero percent.

On December 23 2003, the City issued \$3,935,000 in General Obligation Limited Tax Bonds with interest rates ranging from 2.0% to 4.55%. The Bonds were issued pursuant to the resolution duly adopted by the City on November 24, 2003 for the purpose of reimbursing the City for certain costs relating to the acquisition of waterfront property for the City's park system, and paying the costs of designing, engineering, acquiring, preparing, constructing and equipping various park improvements.

On March 9, 2004, the City issued \$3,470,000 of State of Michigan Act 94 Clean Water Assistance Loan for the purpose of rehabilitation of the Hawley Street, Pine Street, Lake Street, and Baraga Avenue sewage pump stations. The loan will be paid off in annual principal and interest payments over 20 years with an interest rate of 2.125%.

On November 4, 2003, the City issued \$5,990,000 in Water and Sewer Refunding Revenue Bonds with an interest rate ranging from 2.0% to 4.1% to advance refund \$5,820,000 of outstanding 1996, 1977 and 1989 Water and Sewer Revenue Bonds with interest rates ranging 3.85% to 7.0%. The net proceeds of \$5,946,012 (after payment of \$122,927 in underwriting fees, insurance, and other issuance costs plus an additional \$11,484 in Prior Issue Debt Service fund monies and a \$67,455 reoffering premium) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all callable future debt service payments on the 1996, 1977 and 1989 Water and Sewer Revenue bonds. As a result, the 1996, 1977 and 1989 Water and Sewer Revenue bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. On June 30, 2005, \$5,275,000 of bonds outstanding are considered defeased.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$170,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2016 using the effective-interest method.

On February 18, 2004, the City issued \$140,000 in Water and Sewer Refunding Revenue Bonds, Series 2004A with an average interest rate of 2.0 percent to advance refund \$125,000 of outstanding Water and Sewer Revenue Bonds, Series 1986 with an interest rate ranging 6.1% to 9.5%. The net proceeds of \$125,365 (after payment of \$14,821 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future callable debt service payments on the Water and Sewer Revenue Bonds, Series 1986. As a result, the 1986 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. On June 30, 2005, \$65,000 of bonds outstanding are considered defeased.

**NOTE F – LONG -TERM DEBT (Continued):**

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$15,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2016 using the effective-interest method.

On February 18, 2004, the City issued \$690,000 in Marina Refunding Revenue Bonds, Series 2004A with an average interest rate of 2.0 percent to advance refund \$655,000 of outstanding Marina Revenue Bonds, Series 1994 with an interest rate ranging 4.75% to 5.8%. The net proceeds of \$669,508 (after payment of \$18,512 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future callable debt service payments on the Marina Revenue Bonds, Series 1994. As a result, the 1994 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. On

June 30, 2005, \$655,000 of bonds outstanding are considered defeased.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$35,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2014 using the effective-interest method.

On May 26, 2005, the City issued \$5,000,000 in General Obligation Limited Tax Bonds with interest rates ranging from 3.27% to 4.70%. The Bonds were issued pursuant to the resolution duly adopted by the City on January 31, 2005 for the purpose of paying all or part of the cost of acquiring, improving and equipping real property within and without the City for use for authorized purposes.

Pursuant to Section 16(2) of Act 197, Public Acts of Michigan, 1975, as amended, on April 29, 2005 the Marquette Downtown Development Authority (DDA) issued Tax Increment Bonds in the amount of \$750,000 at a 3.65% interest rate designated as Tax Increment Bonds, Series 2005, to finance a portion of the costs of certain public improvements within the downtown district. The principal and interest payable on the bonds shall be repaid solely from tax increment revenues received by the DDA.

Annual maturities on Component Unit debt are as follows:

Maturities	1997 G.O. Bonds Library Improvement	1998 Building Authority Bonds - Library	Downtown Development Authority Note Payable	Downtown Development 2001 Tax Increment Bonds	Downtown Development 2005 Tax Increment Bonds	Board of Light & Power Revenue Bonds Series 1001 A
Year Ending June 30:						
2006	\$195,000	\$215,000	\$11,638	\$71,429	\$107,143	\$3,805,000
2007	210,000	225,000	6,038	71,429	107,143	2,695,000
2008	220,000	245,000	-	71,428	107,143	2,790,000
2009	230,000	-	-	71,428	107,143	2,700,000
2010	240,000	-	-	-	107,143	-
2011-2015	1,390,000	-	-	-	214,285	-
2016-2018	1,025,000	-	-	-	-	-
Discount	-	-	-	-	-	(61,388)
Principal	3,510,000	685,000	17,676	285,714	750,000	11,928,612
Interest	1,274,509	67,525	782	23,224	107,371	800,679
TOTAL	<u>\$4,784,509</u>	<u>\$752,525</u>	<u>\$18,458</u>	<u>\$308,938</u>	<u>\$857,371</u>	<u>\$12,729,291</u>

# **NOTE F – LONG -TERM DEBT (Continued):**

Board of Light and Power - Certain bonds issued in 1993 were defeased on October 11, 2001. Maximum maturities through 2009 total \$3,805,000 annually. Certain bonds issued in 2001 are subject to redemption at par, beginning July 1, 2006. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Board of Light and Power's financial statements. On June 30, 2005, \$21,335,000 of bonds outstanding are considered defeased.

Annual maturities on the Business-Type Activities debts are as follows:

Year Ending June 30.	Stormwater Utility Fund	Water Supply and Sewage Disposal Fund					Marina Fund
	11/01/95 Revenue Bonds	Lakeshore Park Place Note	State Act 94 Clean Water Assistance Loan	12/01/98 Capitalized Lease Obligations	2/18/04 Revenue Bonds	11/04/03 Revenue Bonds	2/18/04 Revenue Bonds
2006	\$ 230,000	\$ 19,329	\$ 140,000	\$ 120,866	\$ 65,000	\$ 565,000	\$ 70,000
2007	245,000	20,286	145,000	120,866	70,000	570,000	70,000
2008	255,000	21,289	145,000	120,866	-	590,000	70,000
2009	275,000	22,343	150,000	120,866	-	480,000	75,000
2010	290,000	23,448	155,000	-	-	410,000	70,000
2011	-	24,878	155,000	-	-	410,000	75,000
2012	-	-	160,000	-	-	430,000	75,000
2013	-	-	165,000	-	-	450,000	80,000
2014	-	-	165,000	-	-	470,000	85,000
2015	-	-	170,000	-	-	485,000	-
2016	-	-	175,000	-	-	505,000	-
2017	-	-	180,000	-	-	-	-
2018	-	-	180,000	-	-	-	-
2019	-	-	185,000	-	-	-	-
2020	-	-	190,000	-	-	-	-
2021	-	-	195,000	-	-	-	-
2022	-	-	200,000	-	-	-	-
2023	-	-	200,000	-	-	-	-
2024	-	-	205,000	-	-	-	-
2025	-	-	210,000	-	-	-	-
Principal	1,295,000	131,573	3,470,000	483,464	135,000	5,365,000	670,000
Interest	201,635	23,651	804,935	42,000	2,750	1,164,370	105,275
	\$ 1,496,635	\$ 155,224	\$ 4,274,935	\$ 525,464	\$ 137,750	\$ 6,529,370	\$ 775,275

## NOTE F – LONG -TERM DEBT (Continued):

Annual maturities on the Governmental Activities are as follows:

Year Ending June 30,	Lakeshore Park Place Note	GEMS Installment Note	State Infrastructure Bank Note	2003 General Obligation Bonds	2005 General Obligation Bonds	Transportation Bond Fund Loans Payable	1998 Building Authority Bonds, Refunding	1998 Building Authority Bonds, Lakeview Arena	Marquette County Sanitary Landfill Authority Bonds Series 1988
2006	\$ 19,336	\$ 44,646	\$ 82,873	\$ 150,000	\$ -	\$ 325,000	\$ 175,000	\$ 105,000	\$ 16,754
2007	20,293	46,699	82,873	150,000	-	340,000	185,000	110,000	17,950
2008	21,297	48,847	82,873	170,000	135,000	355,000	190,000	125,000	19,546
2009	22,351	51,095	82,873	175,000	145,000	185,000	205,000	-	21,541
2010	23,457	53,445	82,873	175,000	160,000	195,000	210,000	-	-
2011	24,887	-	82,873	155,000	170,000	-	225,000	-	-
2012	-	-	82,873	190,000	185,000	-	235,000	-	-
2013	-	-	82,873	190,000	200,000	-	245,000	-	-
2014	-	-	82,873	200,000	215,000	-	260,000	-	-
2015	-	-	82,873	210,000	235,000	-	275,000	-	-
2016	-	-	82,873	220,000	255,000	-	285,000	-	-
2017	-	-	82,873	230,000	270,000	-	300,000	-	-
2018	-	-	82,873	235,000	290,000	-	320,000	-	-
2019	-	-	82,878	245,000	315,000	-	335,000	-	-
2020	-	-	-	260,000	340,000	-	355,000	-	-
2021	-	-	-	270,000	360,000	-	380,000	-	-
2022	-	-	-	280,000	390,000	-	-	-	-
2023	-	-	-	295,000	415,000	-	-	-	-
2024	-	-	-	-	445,000	-	-	-	-
2025	-	-	-	-	475,000	-	-	-	-
Principal	131,621	244,732	1,160,227	3,800,000	5,060,000	1,460,000	4,180,000	340,000	75,791
Interest	23,660	34,804	-	1,673,854	2,865,922	143,491	2,016,085	54,124	13,303
Total	\$ 155,281	\$ 279,536	\$ 1,160,227	\$ 5,473,854	\$ 7,865,922	\$ 1,543,491	\$ 6,196,085	\$ 374,124	\$ 89,094

Annual principal and interest requirements on indebtedness are as follows:

	Governmental Activities		Business Type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$918,576	\$651,059	\$1,210,195	\$363,762	\$4,405,209	\$591,138
2007	952,817	629,722	1,241,152	332,641	3,314,611	460,486
2008	1,147,565	589,587	1,202,155	291,121	3,433,572	337,453
2009	887,860	547,851	1,123,209	249,412	3,047,182	207,511
2010	899,775	514,508	948,448	210,971	347,143	139,685
2011-2015	3,629,286	2,195,722	3,399,878	647,405	1,604,285	456,914
2016-2020	4,586,492	1,353,529	1,415,000	177,105	1,025,000	80,903
2021-2025	3,310,000	353,271	1,010,000	54,400	-	-
Totals	\$16,332,371	\$6,835,249	\$11,550,037	\$2,326,817	\$17,177,002	\$2,274,090

Estimated compensated absences due within one year are \$1,311,977. The general fund has typically been used to liquidate the liability for compensated absences in prior years.

**NOTE G – INTERFUND BALANCES:**

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
<b>PRIMARY GOVERNMENT:</b>			
General	\$721,924	Major Street	\$155,410
		Local Street	118,636
		Nonmajor governmental	70,906
		Nonmajor enterprise	376,972
Subtotal	721,924	Subtotal	721,924
Nonmajor governmental	31,330	General	411,281
Nonmajor enterprise	379,951		
Subtotal	411,281	Subtotal	411,281
<b>PRIMARY GOVERNMENT AND COMPONENT UNIT:</b>			
General – Primary Unit	117,442	Downtown Development Authority – Component Unit	117,442
<b>TOTAL REPORTING ENTITY</b>	<b>\$1,250,647</b>	<b>TOTAL REPORTING ENTITY</b>	<b>\$1,250,647</b>

All internal balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**NOTE H – INTERFUND TRANSFERS IN AND TRANSFERS OUT:**

The interfund transfers for the year are as follows:

Fund	Transfers In	Fund	Transfers Out
<b>PRIMARY GOVERNMENT:</b>			
Major Street	\$309,761	General	\$2,207,601
Local Street	682,098		
Construction	10,528		
Nonmajor governmental	784,698		
Nonmajor Enterprise	420,516		
Subtotal	2,207,601	Subtotal	2,207,601
General	9,139	Nonmajor governmental	9,139
Construction	54,365	Major Street	54,365
Internal service	378,208	Nonmajor governmental	378,208
<b>TOTAL REPORTING ENTITY</b>	<b>\$2,649,313</b>	<b>TOTAL REPORTING ENTITY</b>	<b>\$2,649,313</b>

**NOTE H – INTERFUND TRANSFERS IN AND TRANSFERS OUT (Continued):**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE I – ADVANCES TO/FROM COMPONENT UNITS:**

Fund	Advances From	Fund	Advances To
General – Primary Government	\$29,158	Downtown Development Authority – Component Unit	\$29,158

**NOTE J – CAPITAL ASSETS:**

A summary of changes in governmental activities capital assets including internal service funds capital assets is as follows:

	Balance at June 30, 2004	Additions	Disposals	Balance at June 30, 2005
<b>GOVERNMENTAL ACTIVITIES:</b>				
Investment in joint venture	\$3,073,511	\$486,886	\$-	\$3,560,397
Construction in progress	2,465,718	2,309,130	(1,163,246)	3,611,602
Land	6,048,122	5,109,644	-	11,157,766
Total Capital Assets, not being depreciated	11,587,351	7,905,660	(1,163,246)	18,329,765
Land improvements	6,890,518	19,870	-	6,910,388
Buildings	4,971,467	-	-	4,971,467
Building improvements	11,701,638	150,282	-	11,851,920
Furniture and equipment	10,745,506	836,649	(410,087)	11,172,068
Infrastructure	1,598,007	1,381,040	-	2,979,047
Total Capital Assets, being depreciated	35,907,136	2,387,841	(410,087)	37,884,890
Less Accumulated Depreciation:				
Land improvements	(3,658,801)	(315,179)	-	(3,973,980)
Buildings	(2,645,199)	(87,622)	-	(2,732,821)
Building improvements	(4,966,941)	(440,455)	-	(5,407,396)
Furniture and equipment	(6,450,107)	(732,715)	190,306	(6,992,516)
Infrastructure	(49,428)	(57,331)	-	(106,759)
Total Accumulated Depreciation	(17,770,476)	(1,633,302)	190,306	(19,213,472)
<b>Governmental Activities Capital Assets, net</b>	<b>\$29,724,011</b>	<b>\$8,660,199</b>	<b>\$(1,383,027)</b>	<b>\$37,001,183</b>



**NOTE J – CAPITAL ASSETS (Continued):**

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

Governmental Activity:	
Depreciation – unallocated	\$857,165
Internal Service Funds charged to above activities	776,137
Total Depreciation Expense – Governmental Activities	<u>\$1,633,302</u>

A summary of changes in business-type activities capital assets is as follows:

	Balance at June 30, 2004	Additions	Disposals	Balance at June 30, 2005
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Investment in joint venture	\$2,909,394	\$8,038	\$-	\$2,917,432
Land	102,500	-	-	102,500
Total Capital Assets, not being depreciated	<u>3,011,894</u>	<u>8,038</u>	<u>-</u>	<u>3,019,932</u>
Land improvements	3,128,861	-	-	3,128,861
Buildings and building improvements	14,111,169	660,523	-	14,771,692
Furniture and equipment	1,626,487	2,007,452	-	3,633,939
Infrastructure	31,054,049	1,916,706	-	32,970,755
Total Capital Assets, being depreciated	<u>49,920,566</u>	<u>4,584,681</u>	<u>-</u>	<u>54,505,247</u>
Less Accumulated Depreciation:				
Land improvements	(1,001,752)	(119,874)	-	(1,121,626)
Buildings and building improvements	(4,416,002)	(315,412)	-	(4,731,414)
Furniture and equipment	(674,124)	(123,670)	-	(797,794)
Infrastructure	(7,848,083)	(593,929)	-	(8,442,012)
Total Accumulated Depreciation	<u>(13,939,961)</u>	<u>(1,152,885)</u>	<u>-</u>	<u>(15,092,846)</u>
<b>Business-Type Activities Capital Assets, net</b>	<u>\$38,992,499</u>	<u>\$3,439,834</u>	<u>\$-</u>	<u>\$42,432,333</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-Type Activities:	
Water Supply and Sewage Disposal	\$793,546
Stormwater Utility	185,726
Marina	134,821
Intermodal Transportation Terminal	38,792
Total Depreciation Expense – Business-Type Activities	<u>\$1,152,885</u>

**NOTE J – CAPITAL ASSETS (Continued):**

A summary of component unit's capital assets is as follows:

	<b>Board of Light and Power</b>	<b>Peter White Public Library</b>	<b>Downtown Development Authority</b>	<b>Marquette Housing Commission</b>	<b>Total Component Units</b>
<b>COMPONENT UNITS:</b>					
Land	\$1,119,971	\$114,704	\$-	\$187,180	\$1,421,855
Total Capital Assets, not being depreciated	1,119,971	114,704	-	187,180	1,421,855
Land improvements	-	-	1,754,632	917,802	2,672,434
Buildings and improvements	11,002,626	8,848,096	-	8,473,982	28,324,704
Furniture and equipment	101,238,757	2,232,468	92,371	613,375	104,176,971
Total Capital Assets, being depreciated	112,241,383	11,080,564	1,847,003	10,005,159	135,174,109
Less Accumulated Depreciation:					
Land improvements	-	-	(111,141)	-	(111,141)
Buildings and improvements	-	(2,401,590)	-	-	(2,401,590)
Furniture and equipment	-	(1,773,264)	(59,836)	-	(1,833,100)
Unallocated	(73,572,948)	-	-	(6,865,978)	(80,438,926)
Total Accumulated Depreciation	(73,572,948)	(4,174,854)	(170,977)	(6,865,978)	(84,784,757)
<b>Component Units Capital Assets, net</b>	<b>\$39,788,406</b>	<b>\$7,020,414</b>	<b>\$1,676,026</b>	<b>\$3,326,361</b>	<b>\$51,811,207</b>

Depreciation expense for the component units was charged to the following functions:

Component Units:	
Board of Light and Power	\$3,079,092
Peter White Public Library	510,940
Downtown Development Authority	65,771
Marquette Housing Commission	408,129
Total Depreciation Expense – Component Units	<u>\$4,063,932</u>

**NOTE K – UNEARNED REVENUES:**

Unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

1. The General Fund has reported unearned revenue of \$7,639,418. Of this amount, \$7,289,093 relates to the 2005 tax levy assessed May 1, 2004 and payable July 1, 2004, \$12,417 relates to delinquent taxes receivable not collected within sixty days after year-end, and \$337,908 relates to the special assessment receivable which are not available resources within the next year.

**NOTE K – UNEARNED REVENUES (Continued):**

2. The Enterprise Funds have reported unearned revenue of \$122,442. This amount, \$122,442 represents the portion of special assessment receivables which are not available resources within the next year.
3. The Component Units have reported unearned revenue of \$1,364,064. This amount \$1,364,064 relates to their portion of the 2005 tax levy.

**NOTE L – DEFINED BENEFIT PENSION PLAN - MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN:*****Plan Description***

The City contributes to the Municipal Employees Retirement System of Michigan (System), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917-9755.

The qualified employees of the Fire Department and the Police Department of the City are included in a separate self-administered plan. The employees of the Marquette Board of Light and Power are included in a separate plan. All other full-time employees of the City and the Marquette Area Wastewater Treatment Facility are eligible to participate in the System. Benefits vest after six years for senior management and after ten years for all others. City employees who retire at or after the age of 60 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, annual benefits are determined by negotiated contractual benefits within statute guidelines. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance.

Active employees with ten or more years of service, who become disabled receive an amount equal to the same as would be received under the normal retirement requirements, except that the reduction for retirement before age 60 is not applied. If the disability is from service connected causes, the amount of retirement allowance shall be computed as if the member had acquired exactly 10 years of credited service, if the actually acquired credited service is less than 10 years.

If an employee dies, the beneficiary receives a retirement allowance computed in the same manner as a service retirement allowance, but reduced to reflect an Option II (100% joint and survivor) election. An employee's surviving spouse will receive a retirement allowance equal to 85% of the deceased member's or deceased vested former member's accrued retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at time of death.

**NOTE L – DEFINED BENEFIT PENSION PLAN - MUNICIPAL EMPLOYEES  
RETIREMENT SYSTEM OF MICHIGAN (Continued):**

***Funding Policy***

City employees are required to contribute five percent of their annual compensation to the System. The City pays the contribution for senior management. The City is required to contribute the remaining amounts necessary to fund the System, using the actuarial basis specified by statute.

***Annual Pension Cost***

For the year ended June 30, 2005, the City's annual pension cost of \$545,201 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry age normal cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8%, (b) projected salary increases of 4.5% a year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis over a period of 30 years.

***Trend Information***

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three year trend information is stated below and ten year trend information may be found on page 88.

Fiscal Year Ending June 30	Valuation Date December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	2000	\$456,453	100%	0
2004	2001	521,245	100%	0
2005	2002	545,201	100%	0

**NOTE M – DEFINED BENEFIT PENSION PLAN - FIRE-POLICE RETIREMENT  
SYSTEM:**

***Separately Issued Plan Financial Report***

The separately issued audited financial statements of the Plan can be obtained at the City's Finance Department located at 300 West Baraga Avenue, Marquette, Michigan 49855.

***Summary of Significant Accounting Policies***

***Basis of Accounting*** - The City of Marquette Fire - Police Retirement System financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**NOTE M – DEFINED BENEFIT PENSION PLAN - FIRE-POLICE RETIREMENT SYSTEM (Continued):**

**Method Used to Value Investments** - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

**Plan Description**

The City of Marquette is the administrator of a single-employer public employee retirement system ("System") established and administered by the City of Marquette to provide pension benefits for the Fire and Police Department employees. The Fire and Police System is considered part of the City Marquette's financial reporting entity and is included in the City's financial report as a pension trust fund. The City's payroll for employees covered by the System for the year ended June 30, 2005 was \$2,683,267; the City's total payroll was \$8,919,876.

Current membership in the Plan comprises the following as of December 31, 2004, the latest actuarial valuation date:

Group	
Retirees and beneficiaries currently receiving benefits	51
Vested terminated members	2
Active employees:	
Fire	26
Police	35
TOTAL	<u>114</u>

The qualifying full-time employees of the Fire Department and Police Department are eligible to participate in the System. Benefits vest after ten years of service. Employees who retire at or after the age of 50 with 25 or more years of credited service or age 60 with 10 or more years of service, are entitled to annual retirement benefits, payable monthly for life, in an amount equal to a minimum of \$600 a month, or 2.5 percent (3.0 percent for Fire members) of a three year average final compensation times the first twenty-five years of service plus 1.5 percent (1.0 percent for Fire members) of average final compensation times years of service in excess of twenty-five years. The System also provides death and disability benefits.

Non-duty disability benefits are payable upon the total and permanent disability of a member with 5 or more years of service. Benefits up to age 55 are paid equaling 1.5% of the average final compensation times the years of service. Benefits after the age of 55 are the same as benefits received from service retirement.

Disability benefits from the total or permanent disability of a member in the line of duty are payable, up to the age of 55, (age 50 for Fire members) at 50% of the average final compensation. Benefits

**NOTE M – DEFINED BENEFIT PENSION PLAN - FIRE-POLICE RETIREMENT SYSTEM (Continued):**

after the age of 55 are the same as benefits from service retirement with service credit from date of disability to age 55, except for fire members whose full retirement is the equivalent of 25 years of service that the member would have had if not disabled.

If an active employee dies in the line of duty, the beneficiary will receive the same amount that was paid by worker's compensation.

If an active employee with 20 or more years of service (10 years required for fire members) dies not in the line of duty, the surviving spouse, if any, will receive an amount equal to the accrued straight life pension actuarially reduced in accordance with option 1 election.

***Contributions***

Covered employees are required by statute to contribute 5 percent of their salary to the System. If an employee leaves covered employment or dies before being eligible for retirement, the total accumulated employee contributions plus related investment earnings may be refunded to the employee or designated beneficiary. Benefit and contribution provisions are established by State statute and City ordinance.

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended June 30, 2005 were determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities were amortized as a level percent of payroll over an open period of 21 years for police and 20 years for fire.

During the year ended June 30, 2005 and 2004, contributions totaling \$136,351 and \$-0-, respectively, were made in accordance with contribution requirements determined by an actuarial valuation of the System.

***Trend Information***

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three year trend information is stated below and ten year trend information may be found on pages 89 and 204.

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2002	0	0	0
2003	0	0	0
2004	0	0	0

**NOTE M – DEFINED BENEFIT PENSION PLAN – FIRE-POLICE RETIREMENT SYSTEM (Continued):**

***Concentrations of Investments***

The fair value of individual investments that represent 5.0% or more of the Plan's net assets are as follows:

Barclays Global Investors Fund – 1,023,998.78 Units	<u>\$15,459,156</u>
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**NOTE N – DEFINED BENEFIT PENSION PLAN BOARD OF LIGHT AND POWER – COMPONENT UNIT:**

***Separately Issued Plan Financial Report***

The separately issued audited financial statements of the Plan can be obtained at the City's Finance Department located at 300 West Baraga Avenue, Marquette, Michigan 49855.

During the fiscal year ended June 30, 2005, the Board of Light and Power was effectively split from other City departments for pension benefit purposes. The following disclosures are related to the specifics of the "new" plan for the Board of Light and Power employees as excerpted from the audit report of the Board of Light and Power.

***Plan Description***

The Board of Light and Power (Board) contributed to the Municipal Employees Retirement System of Michigan (System), an agent multiple-employer public employee retirement system that acts as common investment and administrative agent for all Michigan municipal employees. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917-9755.

All employee's benefits, except for the executive director, vest after ten years of service. The executive director's benefits vest at eight years of service. Current Board bargaining and nonbargaining active employees who retire at or after the age of 60 with 10 years of credited service are entitled to an annual retirement benefit payable monthly in an amount equal to the sum of 2.25 percent of a members 5 year final average compensation times the number of years service credited until age 65. At age 65, or upon receipt of social security benefits, the benefit payable for life is equal to the sum of 1.7 percent times the 5 year final average compensation times the number of years of service credit. Board employees who have retired prior to July 1, 1992, at or after the age of 60 with 10 years of credited service are entitled to an annual retirement benefit payable monthly for life, in an amount equal to the sum of 1.2 percent times the first \$4,200 of a members 5 year final average compensation, plus 1.7 percent times the portion of final average compensation over \$4,200. The executive director and the management group who retire at or after the age of 60 with 10 years of credited service are entitled to an annual retirement benefit payable monthly in an amount equal to the sum of 2.5 and 2.25, respectfully, percent of a member's 5 year final average compensation times

**NOTE N – DEFINED BENEFIT PENSION PLAN BOARD OF LIGHT AND POWER -  
COMPONENT UNIT (Continued):**

the number of years of service credit. The System provides for early retirement benefits for all active employees at age 55 with 15 years of service at a reduced retirement benefit and with 25 years of service at age 55 without reduced benefits and age 50 with 25 years of service at a reduced benefit.

The System also provides death and disability benefits. The benefit provisions and all other requirements are established by State statute and Board ordinance.

Active employees with ten or more years of service, who become disabled receive an amount equal to the same as would be received under the normal retirement requirements, except that the reduction for retirement before age 60 is not applied. If the disability is from service connected causes, the amount of retirement allowance shall be computed as if the member had acquired exactly 10 years of credited service, if the actually acquired credited service is less than 10 years.

If an active employee dies, the beneficiary receives a retirement allowance computed in the same manner as a service retirement allowance, but reduced to reflect Option II (100% joint and survivor) election. An employee's surviving spouse will receive a retirement allowance equal to 85% of the deceased members or deceased vested former members accrued retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at time of death.

***Funding Policy***

Board employees are required to contribute percentages ranging from 4.7% - 4.8% of their annual salary to the System, except for the executive director's contribution which is paid by the Board. The Board is required to contribute the remaining amounts necessary to fund the System, using the actuarial basis specified by statute.

***Annual Pension Cost***

For the year ended June 30, 2005, the Board's annual pension cost was \$352,968. The Board's actual contributions for 2005 were \$348,086. The annual required contribution was determined as part of an actuarial valuation at December 31, 2001, using the entry age normal cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8 percent a year compounded annually, (b) projected salary increases of 4.5 percent a year compounded annually, attributable to inflation, and (c) additional projected salary increases ranging from 0.5% to 4.90% per year, depending on age, attributable to seniority/merit. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis over a period of 30 years.

***Trend Information***

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three year trend information is stated below and ten year trend information may be found on page 90.



**NOTE N – DEFINED BENEFIT PENSION PLAN BOARD OF LIGHT AND POWER - COMPONENT UNIT (Continued):**

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Valuation Date</u> <u>December 31</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2003	2000	\$276,564	100%	0
2004	2001	271,728	99%	0
2005	2002	352,968	99%	0

**NOTE O – DEFINED CONTRIBUTION PENSION PLAN:**

The City of Marquette provides pension benefits to Senior Management Division 15 and Middle Management Division 10 employees through a defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City established the MERS Benefit Program DC in the form of the ICMA Retirement Corporation Governmental Money Purchase Plan and Trust, as amended by and as authorized by Section 19A of the Municipal Employees' Retirement System of Michigan Plan Document. The ICMA Retirement Corporation is the Plan Administrator and the City has agreed to the commingled investment of assets of the Plan within the ICMA Retirement Trust.

At June 30, 2005, there were 11 plan members. Plan members are required to contribute 3% of covered earnings and the City is required to contribute 13% or 9% of covered earnings for the Senior Management Division and Middle Management Division, respectively. In accordance with these requirements, the City contributed \$94,048 during the current year and employees contributed \$23,269. The employees under the Plan are immediately vested.

**NOTE P – DEFERRED COMPENSATION PLAN:**

The City of Marquette offers its employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457. The plans are available to all Board of Light and Power employees and to all other City employees, and permit them to defer a portion of their current earnings until the employee's termination, retirement, death or unforeseeable emergency.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and are no longer subject to the City's general creditors. Therefore in accordance with the provisions of GASB Statement No. 32, Plan balances and activities are not reflected in these financial statements.

The Plan's participants have the right to designate how the funds will be invested. Accordingly, the City has no liability for losses under the Plan. The Plan's assets are held in trust for the exclusive benefit of the Plan's participants and their beneficiaries.

**NOTE P – DEFERRED COMPENSATION PLAN:**

The City's plans are administered by the Nationwide Retirement Solutions (formerly known as PEBSCO), the International City Manager's Association (ICMA), American Express Financial Advisors, Inc., and the Variable Annuity Life Insurance Company (VALIC). Nationwide and ICMA, as plan administrators, agree to hold harmless and indemnify the City, its appointed and

**NOTE P – DEFERRED COMPENSATION PLAN (Continued):**

elected officers and participating employees from any loss resulting from Nationwide or ICMA or their respective agents' failure to perform their duties and services pursuant to the ICMA and Nationwide programs.

The Component Unit's (Board of Light and Power's) plans are administered by the ICMA and Nationwide. ICMA and Nationwide, as plan administrators, agree to hold harmless and indemnify the Board, its appointed and elected officers and participating employees from any loss resulting from ICMA or Nationwide or their agents' failure to perform their duties and services pursuant to the ICMA and Nationwide programs.

**NOTE Q – LONG TERM RECEIVABLES:****Internal Service Fund:**

In November of 1999, the City entered into an agreement with the Downtown Development Authority (DDA), whereby the City would finance the purchase of a municipal sidewalk tractor. The financing agreement calls for payments over a seven-year period, with quarterly installments of \$3,076, including interest at 5% per annum. The balance of this long-term receivable recorded in the Motor Vehicle Equipment Fund was \$17,676 at June 30, 2005.

Remaining principal payments to be received as of June 30, 2005 are as follows:

Year Ending June 30	Motor Vehicle Equipment Fund
2006	\$11,638
2007	6,038
	<u>\$17,676</u>

**NOTE R – ACCUMULATED COMPENSATED ABSENCES:**

**Sick Leave** - Employees earn sick leave at the rate of one (1) day per month, not to exceed 12 days per year. Upon retirement or termination, employees in good standing after at least ten (10) years of service, shall be paid one-half such sick leave accumulated at that time up to a maximum accrual of 1,800 hours at their current rate of pay. Certain bargaining unit employees who were hired before January 1, 1975, shall be paid one-half of all sick leave hours accumulated at the time of retirement or termination. Management employees whose accrued sick leave balances were greater than 1,800 hours for the pay period of June 9, 1997 through June 22, 1997, have their sick leave balance capped at the higher hours for payout purposes at the time of retirement or termination. Management employees hired after June 30, 1998 have their accrued sick leave balance capped at 1,000 hours for payout purposes at the time of retirement or termination.

**Vacation Leave** - Employees earn vacation leave at various schedules dependent upon their length of employment. Upon retirement or termination, employees are paid for such vacation accumulated at that time up to a maximum accrual of 400 hours. Certain supervisory employees are paid for such

**NOTE R – ACCUMULATED COMPENSATED ABSENCES (Continued):**

vacation accumulated at that time up to a maximum accrual of 408 hours. Management employees whose accrued vacation balances were greater than 400 hours for the pay period of June 9, 1997 through June 22, 1997 have their vacation balance capped at the higher hours for payout purposes at the time of retirement or termination. Management employees hired after June 30, 1998 have a maximum accrual of 200 vacation hours for payout purposes at the time of retirement or termination. Fire and Police employees are paid for all accrued vacation hours accumulated at the time of retirement or termination up to certain capped levels.

**Benefit Day Leave** – Effective December 11, 2000, all new hired Department Heads and Middle Managers earn benefit leave dependent upon their length of employment. Current Department Heads and Middle Managers at that time had the option of remaining under the regular Vacation and Sick Leave or electing the Benefit Leave. If the Benefit Leave was elected, their accumulated vacation and sick leave was converted to benefit leave. Vacation leave was converted on a one for one basis while sick leave was converted on a two for one basis. By December 31 of every year, these employees have the option of being paid for accumulated benefit leave not to exceed 5% of their annual base pay, provided they maintain a minimum of 232.5 benefit hours. These employees have their benefit leave capped at 1,100 hours for payout purposes at the time of retirement or termination.

The liabilities for accumulated, unpaid vacation, sick and benefit leave at June 30, 2005 are as follows:

	Benefit Leave And Vacation	Sick	Total
PRIMARY GOVERNMENT:			
Current portion	\$972,298	\$49,679	\$1,021,977
Long-term portion	472,873	505,517	978,390
TOTAL	<u>\$1,445,171</u>	<u>\$555,196</u>	<u>\$2,000,367</u>
COMPONENT UNITS:			
Current portion	\$399,751	\$393,406	\$793,157
Long-term portion	51,104	35,300	86,404
TOTAL	<u>\$450,855</u>	<u>\$428,706</u>	<u>\$879,561</u>

**NOTE S – BUDGETARY NONCOMPLIANCE:**

Excesses of expenditures over appropriations in the individual government funds are as follows:

General Fund:	
Sanitation	\$26,179
Recreation and Culture	65,364
MSHDA Homeowner Repair Fund:	
Community Development	10,379
Lakeview Arena:	
Recreation and culture	3,438

**NOTE S – BUDGETARY NONCOMPLIANCE (Continued):**

Budget amendments are required by State law when it appears that the actual and probable revenues from taxes and other sources in a fund are less than the estimated revenues, including an available fund balance upon which appropriations from the fund were based, which would prevent expenditures from exceeding available revenues for that current fiscal year.

**NOTE T – CONTINGENCIES:**

There exists certain lawsuits pending in which the City is involved. The City attorney estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

**NOTE U – JOINT VENTURE - MARQUETTE COUNTY SOLID WASTE MANAGEMENT AUTHORITY:**

In June of 1988, the City of Marquette joined with 19 other municipalities to create the Marquette County Solid Waste Management Authority (Authority). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as, a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, and to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

As required by Governmental Accounting Standards Board Statement #14, the City's investment in this joint venture is recorded as an asset in the general fixed asset account group. The audited financial statements for the Marquette County Solid Waste Management Authority can be obtained at P.O. Box 936, Marquette, MI 49855.

The Authority is governed by a Board of Trustees consisting of one (1) member (who shall be the chairperson of the Board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by the other six Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

**NOTE U – JOINT VENTURE - MARQUETTE COUNTY SOLID WASTE MANAGEMENT AUTHORITY (Continued):**

The City's share of assets, liabilities and fund equity is approximately 31 percent. Summary financial information as of and for the fiscal year ended June 30, 2005, the latest available report, is as follows:

Total Assets	\$13,560,611
Total Liabilities	2,075,460
Total Net Assets	11,485,151
Total Operating Revenues	2,425,089
Total Operating Expenses	2,149,808
Total Joint Venture's Outstanding Debt	950,000

The City has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, 1993B Issue, Refunding Bonds. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds. The obligation to pay a proportionate share of the principal and interest is a general obligation of each constituent municipality. Each member is authorized and obligated to levy a tax without limitation as to rate or amount for the prompt payment of its respective shares of the obligation. The City has elected to pay its share of the debt through tax levies. The proportionate share of the debt service for the City will be included in the General Fund debt service expenditures in future years. The City's proportionate share, as based on a 1990 census, is approximately 31% as of June 30, 2005.

**NOTE V – RISK MANAGEMENT:**

The City of Marquette is exposed to various risks of loss related to property, loss, torts, errors and omissions, and employee injuries (workmans' compensation). As of July 1, 1997 the City participates in the Michigan Municipal League Property and Liability Pool for claims relating to other liability and property claims and participates in the Michigan Municipal Workers Compensation Pool for employee injury claims.

The Michigan Municipal League risk pool programs operate as common risk-sharing\management programs for local units of government in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. The City's maximum deductible for property and liability coverage is \$75,000 per occurrence, subject to \$250,000 aggregate per policy year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City purchases commercial health care insurance from Blue Cross/Blue Shield of Michigan for all employees, including retired employees.

**NOTE W – OTHER POST EMPLOYMENT BENEFITS:**

The City of Marquette offers group benefit health insurance coverage under various collective bargaining agreements covering substantially all employees and former employees of the City. The amount paid for former City employees for the fiscal year ended June 30, 2005 was \$208,633. There were 98 participants eligible to receive benefits and 48 are participating. This benefit is accounted for on the “pay-as-you-go” method, whereby the City is reporting the amounts paid as expenditures in the year the amount is paid for the benefit provided. The amount paid for the component unit (Board of Light and Power) employees for the year ended June 30, 2005 was \$804,637. There were 72 participants eligible and receiving benefits.

**NOTE X – EXTRAORDINARY ITEM:**

On May 15, 2003, the City experienced a flood event caused by the failure of a dike at the Silver Lake dam. There was significant erosion along the Dead River and the City’s Tourist Park Basin. The City owned bridges crossing the Dead River on County Road 550 and Lakeshore Boulevard were washed away. Also, numerous facilities owned by the Board of Light and Power Component Unit were affected by the water and debris including the #2 Hydro Plant basement, the roads to #2 Hydro Plant and Penstock, the #3 Hydro Plant and substation, the river banks and other facilities.

For the year ended June 30, 2004, the identifiable expenditures for the City approximated \$10,467 in expenses related to the clean up and repair of the Tourist Park Basin and bridge areas and \$158,059 in capital expenditures related to replacement of the lost bridges.

Future actions to address the effects of the flood event, possible costs, and possible reimbursements from insurance companies or third parties cannot be determined at this time.

**NOTE Y – SINGLE AUDIT:**

The City’s audited financial statements report a total amount of federal expenditures that is more than the Single Audit threshold of \$500,000. The City is therefore required to have an audit in accordance with OMB Circular A-133 for the fiscal year ended June 30, 2005.

**NOTE Z – RECLASSIFICATIONS:**

Certain reclassifications have been made in the June 30, 2004 financial statements to conform to the classifications used as of June 30, 2005.

# **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Marquette, Michigan**

**MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN  
DEFINED BENEFIT PENSION PLAN  
ANALYSIS OF FUNDING INFORMATION**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date <u>December 31</u>	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
1995	\$11,393,263	\$11,735,154	\$341,891	97%	\$4,590,387	7 %
1996	12,436,500	13,648,879	1,212,379	91	4,717,183	26
1997	13,630,932	15,461,563	1,830,631	88	4,800,223	38
1998	15,257,550	16,216,678	959,128	94	5,031,270	19
1999	16,969,765	17,430,314	460,549	97	4,909,541	9
2000	18,722,203	20,136,439	1,414,236	93	4,803,572	29
2001	20,056,537	23,113,321	3,056,784	87	5,039,800	61
2002	20,799,934	24,588,188	3,788,254	85	5,227,706	72
2003	22,629,322	25,997,838	3,368,516	87	5,393,986	62
2004	24,187,555	28,468,133	4,280,578	85	5,426,755	79

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ending <u>June 30</u>	Valuation Date <u>December 31</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1996	1993	\$ 40,840	100.0%	\$ 0
1997	1994	103,124	100.0%	0
1998	1995	153,696	100.0%	0
1999	1996	295,912	100.0%	0
2000	1997	424,066	100.0%	0
2001	1998	381,485	100.0%	0
2002	1999	399,053	100.0%	0
2003	2000	456,453	100.0%	0
2004	2001	521,245	100.0%	0
2005	2002	545,201	100.0%	0

**NOTES TO THE REQUIRED SCHEDULES**

The required contribution was determined using the entry age normal actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% per year, compounded annually, (b) projected salary increases of 4.5% per year, compounded annually, attributable to inflation, and (c) additional projected salary increases ranging from 0.00% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis over a period of 30 years.



# City of Marquette, Michigan

## FIRE - POLICE RETIREMENT SYSTEM ANALYSIS OF FUNDING INFORMATION

### SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date <u>December 31</u>	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
1995	\$16,973,947	\$14,169,723	\$(2,804,224)	120%	\$2,024,755	- % *
1996	18,118,588	15,362,498	(2,756,090)	118	2,084,753	- *
1997	19,918,405	16,102,478	(3,815,927)	124	2,234,522	- *
1998	22,301,497	17,189,981	(5,111,516)	130	2,248,447	- *
1999	24,690,249	18,070,456	(6,619,793)	137	2,381,956	- *
2000	26,681,186	18,922,286	(7,758,900)	141	2,477,522	- *
2001	27,995,675	20,310,485	(7,685,190)	138	2,595,193	- *
2002	27,832,278	22,046,809	(5,785,469)	126	2,669,333	- *
2003	27,564,327	23,337,401	(4,226,926)	118	2,717,024	- *
2004	27,258,447	24,686,419	(2,572,028)	110	2,888,945	- *

\* The UAL is negative (overfunded) therefore presenting UAL as percentage of payroll is not applicable.

### SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending <u>June 30</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1995	\$ 198,638@	100.0%	\$ 0
1996	207,560@	100.0%	0
1997	206,674@	100.0%	0
1998	220,008@	100.0%	0
1999	202,247@	100.0%	0
2000	-	-	0
2001	-	-	0
2002	-	-	0
2003	-	-	0
2004	-	-	0

@ In each the employer contributes exactly the actual dollar amount recommended by the actuary plus 5.0% of the actual pay during the fiscal year of both the fire chief and police chief.

### NOTES TO THE REQUIRED SCHEDULES

The required contribution was determined using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.0% per year, compounded annually, (b) projected salary increases of 4.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.00% to 3.50% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis. The amortization period on December 31, 2004 was 21 years for police and 20 years for fire.

**City of Marquette, Michigan**

**MARQUETTE BOARD OF LIGHT AND POWER  
MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN  
DEFINED BENEFIT PENSION PLAN  
ANALYSIS OF FUNDING INFORMATION**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date <u>December 31</u>	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
1995	\$12,088,737	\$12,555,896	\$467,159	96%	\$3,410,595	14 %
1996	13,416,016	12,897,873	(518,142)	104	3,405,977	0
1997	14,996,905	14,042,518	(954,386)	107	3,295,592	0
1998	16,434,707	14,847,465	(1,587,241)	111	3,545,675	0
1999	18,484,644	17,553,732	(930,912)	105	3,431,413	0
2000	20,201,860	21,432,284	1,230,424	94	3,585,217	34
2001	21,249,595	22,508,331	1,258,736	94	3,720,528	34
2002	21,204,453	23,824,315	2,619,862	89	3,577,979	73
2003	21,931,156	26,001,957	4,070,801	84	3,911,098	104
2004	22,438,510	27,151,787	4,713,277	83	3,599,278	131

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ending June 30	Valuation Date December 31	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
1996	1993	\$ 164,652	422.7%	\$ (531,348)
1997	1994	187,370	234.8%	(252,630)
1998	1995	277,303	63.1%	102,306
1999	1996	249,208	61.0%	98,199
2000	1997	213,168	225.0%	0
2001	1998	229,444	164.0%	0
2002	1999	277,151	100%	0
2003	2000	276,564	100%	0
2004	2001	271,728	99%	0
2005	2002	352,968	99%	0

**NOTES TO THE REQUIRED SCHEDULES**

Commencing with the 1993 actuarial valuation, the required contribution was determined using the entry age normal actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% per year, compounded annually, (b) projected salary increases of 4.5% per year, compounded annually, attributable to inflation, and (c) additional projected salary increases ranging from 0.00% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis over a period of 30 years.

## **City of Marquette, Michigan**

### **MAJOR GOVERNMENTAL FUNDS**

#### **INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

##### **GENERAL FUND**

The function of the General Fund is to record all revenues and expenditures of the City which are not accounted for in other funds. The General Fund receives revenue from many sources which are used to finance a wide range of City activities.

The major activities financed by the General Fund are Fire and Police Protection, Public Works, Parks and Recreation, City Administration and most public services.

The modified accrual basis of accounting is used in recording General Fund transactions.

##### **SPECIAL REVENUE FUNDS**

The function of the Special Revenue Funds is to record revenue and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes.

**MAJOR STREET AND TRUNKLINE FUND AND LOCAL STREET FUND:** Michigan's Act 51 of 1993, as amended, allocates gasoline and weight taxes to build and maintain roads, roadsides and storm sewers and to remove snow from and to control traffic along roads. These tax monies may be transferred between funds only as permitted by law. Other revenues include general taxes transferred from the General Fund. Within the City, Federal and State trunklines and certain "mile" roads are maintained by the City under contractual agreement with the State of Michigan and are subject to reimbursement to the City. The remaining mile roads and certain other roads are designated as MAJOR STREETS, maintained on a priority basis by the City, and the remaining roads are designated as LOCAL STREETS.

##### **CAPITAL PROJECTS FUNDS**

The function of Capital Projects Funds is to account for the acquisition and construction of major capital facilities other than those financed by Proprietary Funds. The modified accrual basis of accounting is used in recording Capital Projects Fund transactions.

**CONSTRUCTION FUND:** This fund records the development, improvement, and rehabilitation of City infrastructure. Operating transfers have financed the current projects.

**City of Marquette, Michigan**

**GENERAL FUND**

**COMPARATIVE BALANCE SHEET**

June 30, 2005 and 2004

<b>ASSETS</b>	2005	2004
Cash and cash equivalents	\$ 899,158	\$ 1,891,854
Investments	2,707,500	429,323
Receivables:		
Taxes:		
Current	7,303,479	6,475,562
Delinquent	35,566	35,914
Accounts	127,976	124,029
Special assessment	337,908	145,776
Allowance for uncollectible accounts	(24,924)	(24,924)
Due from other funds	721,924	476,328
Due from component units	117,442	117,442
Advances to component units	29,158	29,158
Due from other governments:		
County	13,078	18,972
State	280,627	296,117
Due from other authorities	523,065	1,390,375
Inventories	154,891	131,436
Prepaid expenditures	63,984	54,069
Long-term receivables:		
Office bar business loan	-	38,703
<b>TOTAL ASSETS</b>	<b>\$ 13,290,832</b>	<b>\$ 11,630,134</b>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 370,798	\$ 190,576
Retainages payable	4,288	1,046
Accrued compensated absences	718,982	677,983
Due to other funds	411,281	48,113
Due to component units	-	38,703
Due to local units	5,710	4,503
Deferred revenue on property taxes receivable:		
Current	7,289,093	6,475,562
Delinquent	12,417	12,417
Deferred revenue on special assessments	337,908	145,776
<b>TOTAL LIABILITIES</b>	<b>9,150,477</b>	<b>7,594,679</b>
Fund Balance:		
Reserved for:		
Prepaid expenditures	63,984	54,069
Advances to other funds	29,158	29,158
Inventories	154,891	131,437
Long-term receivables	-	38,703
Encumbrances	184,015	950,049
Workers' compensation	207,068	174,476
Unreserved	3,501,239	2,657,563
<b>TOTAL FUND BALANCE</b>	<b>4,140,355</b>	<b>4,035,455</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 13,290,832</b>	<b>\$ 11,630,134</b>

**City of Marquette, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2005  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005		2004	
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>REVENUES:</b>				
Property Taxes:				
Real property tax	\$ 5,597,000	\$ 5,601,446	\$ 4,446	\$ 5,329,586
Personal property tax	445,000	468,901	23,901	407,704
Interest and penalty on taxes	36,200	34,190	(2,010)	32,455
Administrative collection fees	195,000	201,434	6,434	186,116
<b>Total Property Taxes</b>	<b>6,273,200</b>	<b>6,305,971</b>	<b>32,771</b>	<b>5,955,861</b>
Industrial Facilities Tax Act	5,780	5,789	9	6,110
Payments in Lieu of Taxes:				
MSHDA	-	44,100	44,100	16,805
Light and Power Fund	2,053,000	1,200,000	(853,000)	1,241,456
Public Housing Authority	-	12,880	12,880	15,755
Sault Tribe Housing Authority	-	1,500	1,500	1,500
Marquette Area Wastewater Treatment Facility	-	89,946	89,946	94,023
Orianna Ridge	-	5,406	5,406	-
Whetstone	-	19,041	19,041	-
Water and Sewage Disposal Fund	-	680,885	680,885	658,340
<b>Total Payment in Lieu of Taxes</b>	<b>2,053,000</b>	<b>2,053,758</b>	<b>758</b>	<b>2,027,879</b>
Federal and State Grants:				
UPSET	28,000	30,122	2,122	12,939
Drive Michigan Safely	-	5,637	5,637	-
Challenge Award	-	5,515	5,515	-
Police Computer Forensics Lab	-	9,668	9,668	-
State Home Care Service	31,700	29,160	(2,540)	35,276
Community Mental Health Allocation	7,700	6,233	(1,467)	9,574
FEMA-Fire Safety	-	53,234	53,234	3,681
Lighthouse Restoration	36,000	1,575	(34,425)	5,000
Other	36,000	-	(36,000)	-
MDOT Transportation Enhancement	-	-	-	3,829
Department of Natural Resources	4,000	-	(4,000)	5,100
Department of Natural Resources - Soccer Fields	-	-	-	21,183
Department of Natural Resources - Snowmobile grant	4,800	14,941	10,141	-
Council for Arts & Cultural	22,600	15,100	(7,500)	21,000
<b>Total Federal and State Grants</b>	<b>170,800</b>	<b>171,185</b>	<b>385</b>	<b>117,582</b>
State-Shared Revenues:				
Fire protection - State facility	211,000	74,383	(136,617)	77,655
Sales and use tax	2,160,000	2,110,865	(49,135)	2,186,599
Liquor licenses	18,000	19,319	1,319	18,444
<b>Total State-Shared Revenues</b>	<b>2,389,000</b>	<b>2,204,567</b>	<b>(184,433)</b>	<b>2,282,698</b>

City of Marquette, Michigan

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2005  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005			2004
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
Intergovernmental Revenues:				
UPSET	\$ 2,000	\$ -	\$ (2,000)	\$ 1,164
NMPSA	9,400	8,585	(815)	7,868
MCCOA allocation - senior services	107,921	87,676	(20,245)	104,922
MCCOA allocation - match	31,645	22,138	(9,507)	32,055
Tribal Revenue Sharing	10,000	10,000	-	10,000
Total Intergovernmental Revenues	160,966	128,399	(32,567)	156,009
Licenses and Permits:				
Business licenses and permits	8,500	4,152	(4,348)	4,685
Nonbusiness licenses and permits	13,300	32,091	18,791	13,858
Total Licenses and Permits	21,800	36,243	14,443	18,543
Charges for Services:				
Fees	331,850	346,521	14,671	263,423
Garbage transfer and disposal fees	1,127,500	1,579,083	451,583	1,117,285
Cemetery foundations and grave openings	40,000	32,567	(7,433)	35,958
Services to other funds	1,860,035	2,096,770	236,735	1,665,127
Total Charges for Services	3,359,385	4,054,941	695,556	3,081,793
Sales:				
Cemetery lot use	18,000	21,200	3,200	10,950
Travel trailer facility concessions and other	10,000	4,875	(5,125)	8,314
Total Sales	28,000	26,075	(1,925)	19,264
Use and Admission Fees:				
Community Center use	15,000	21,173	6,173	18,457
Travel trailer facility use	112,000	109,515	(2,485)	99,652
Ballfields	11,500	8,786	(2,714)	14,351
Recreation pass	50,000	-	(50,000)	-
Skiing use/passes	500	288	(212)	115
Parking fees	14,000	10,975	(3,025)	11,336
Art center and theater	43,000	49,595	6,595	38,137
Total Use and Admission Fees	246,000	200,332	(45,668)	182,048
Fines and forfeits	156,100	137,572	(18,528)	136,538

**City of Marquette, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2005  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005			2004
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>Rentals:</b>				
Land and building rental	\$ 36,900	\$ 22,350	\$ (14,550)	\$ 21,076
Parking rentals - lots	10,000	4,375	(5,625)	4,420
Equipment rent	15,000	12,606	(2,394)	16,168
<b>Total Rentals</b>	<b>61,900</b>	<b>39,331</b>	<b>(22,569)</b>	<b>41,664</b>
<b>Special Assessments:</b>				
Interest	11,435	7,812	(3,623)	21,110
Assessments levied	27,470	55,694	28,224	45,033
<b>Total Special Assessments</b>	<b>38,905</b>	<b>63,506</b>	<b>24,601</b>	<b>66,143</b>
Sale of capital assets	830,000	11,721	(818,279)	3,743
Contributions from private sources	25,000	21,915	(3,085)	21,500
Investment income	250,000	21,522	(228,478)	(128,669)
Reimbursements	63,300	40,090	(23,210)	20,433
Other Revenue	34,175	34,374	199	63,601
<b>TOTAL REVENUES</b>	<b>16,167,311</b>	<b>15,557,291</b>	<b>(610,020)</b>	<b>14,072,740</b>
<b>EXPENDITURES:</b>				
<b>GENERAL GOVERNMENT:</b>				
Central Administration:				
Personnel services	1,304,603	1,237,706	66,897	1,211,756
Supplies	44,637	36,394	8,243	43,047
Other services and charges	321,118	203,828	117,290	245,368
<b>Total Central Administration</b>	<b>1,670,358</b>	<b>1,477,928</b>	<b>192,430</b>	<b>1,500,171</b>
Assessor:				
Personnel services	143,052	137,601	5,451	105,330
Supplies	6,000	7,729	(1,729)	7,114
Other services and charges	119,500	95,871	23,629	47,007
<b>Total Assessor</b>	<b>268,552</b>	<b>241,201</b>	<b>27,351</b>	<b>159,451</b>
Clerk:				
Personnel services	359,173	303,557	55,616	336,983
Supplies	12,303	11,960	343	7,557
Other services and charges	76,450	88,791	(12,341)	84,546
<b>Total Clerk</b>	<b>447,926</b>	<b>404,308</b>	<b>43,618</b>	<b>429,086</b>

**City of Marquette, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2005  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005			2004
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>Information Systems:</b>				
Personnel services	\$ 191,895	\$ 199,414	\$ (7,519)	\$ 184,596
Supplies	15,300	10,851	4,449	21,562
Other services and charges	181,000	105,101	75,899	142,462
Capital outlay	112,500	176,998	(64,498)	76,540
Total Information Systems	500,695	492,364	8,331	425,160
<b>City Hall and Grounds:</b>				
Personnel services	50,187	49,818	369	51,683
Supplies	7,000	6,777	223	7,297
Other services and charges	73,933	78,586	(4,653)	64,491
Capital outlay	64,041	59,748	4,293	7,552
Total City Hall and Grounds	195,161	194,929	232	131,023
<b>Cemetery:</b>				
Personnel services	109,828	97,640	12,188	103,242
Supplies	9,984	8,749	1,235	4,501
Other services and charges	53,166	45,588	7,578	39,900
Total Cemetery	172,978	151,977	21,001	147,643
<b>Other General Government:</b>				
Insurance and Bonds:				
Other services and charges	115,000	111,023	3,977	111,285
Other	69,500	69,500	-	729,956
Total Other General Government	184,500	180,523	3,977	841,241
<b>TOTAL GENERAL GOVERNMENT</b>	<b>3,440,170</b>	<b>3,143,230</b>	<b>296,940</b>	<b>3,633,775</b>
<b>PUBLIC HEALTH AND SAFETY:</b>				
<b>Police Department:</b>				
Personnel services	2,568,710	2,549,984	18,726	2,605,334
Supplies	58,025	37,339	20,686	41,957
Other services and charges	209,706	195,005	14,701	197,534
Capital outlay	-	20,509	(20,509)	4,940
Total Police Department	2,836,441	2,802,837	33,604	2,849,765
<b>Fire Department:</b>				
Personnel services	1,698,363	1,660,002	38,361	1,485,024
Supplies	38,779	40,594	(1,815)	26,890
Other services and charges	189,016	163,560	25,456	116,919
Capital outlay	39,020	59,148	(20,128)	14,440
Total Fire Department	1,965,178	1,923,304	41,874	1,643,273
<b>TOTAL PUBLIC HEALTH AND SAFETY</b>	<b>4,801,619</b>	<b>4,726,141</b>	<b>75,478</b>	<b>4,493,038</b>



**City of Marquette, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2005

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005		2004	
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>PUBLIC WORKS:</b>				
Public Works Maintenance:				
Personnel services	\$ 1,591,427	\$ 1,428,672	\$ 162,755	\$ 1,504,092
Supplies	80,953	60,647	20,306	65,692
Other services and charges	574,739	539,594	35,145	474,505
Capital outlay	5,063,722	5,246,524	(182,802)	-
Total Public Works Maintenance	<u>7,310,841</u>	<u>7,275,437</u>	<u>35,404</u>	<u>2,044,289</u>
City Engineer:				
Personnel services	678,713	623,854	54,859	626,112
Supplies	9,100	8,486	614	5,936
Other services and charges	59,600	75,442	(15,842)	33,007
Total City Engineer	<u>747,413</u>	<u>707,782</u>	<u>39,631</u>	<u>665,055</u>
<b>TOTAL PUBLIC WORKS</b>	<u>8,058,254</u>	<u>7,983,219</u>	<u>75,035</u>	<u>2,709,344</u>
<b>SANITATION:</b>				
Sanitation Services:				
Personnel services	109,803	92,971	16,832	110,281
Supplies	3,000	600	2,400	56
Other services and charges	1,377,964	1,423,375	(45,411)	1,033,985
<b>TOTAL SANITATION SERVICES</b>	<u>1,490,767</u>	<u>1,516,946</u>	<u>(26,179)</u>	<u>1,144,322</u>
<b>SOCIAL SERVICES:</b>				
Community Mental Health Allocation:				
Personnel services	7,105	5,079	2,026	5,978
Supplies	660	548	112	429
Other services and charges	437	607	(170)	625
Total Community Mental Health Allocation	<u>8,202</u>	<u>6,234</u>	<u>1,968</u>	<u>7,032</u>
Senior Citizen Program:				
Personnel services	163,357	151,993	11,364	165,857
Supplies	2,375	2,059	316	2,370
Other services and charges	2,145	1,989	156	1,657
Total Senior Citizen Program	<u>167,877</u>	<u>156,041</u>	<u>11,836</u>	<u>169,884</u>
State Home Care Service:				
Personnel services	31,430	29,247	2,183	33,024
Supplies	538	655	(117)	642
Other services and charges	1,960	1,806	154	1,747
Total State Home Care Service	<u>33,928</u>	<u>31,708</u>	<u>2,220</u>	<u>35,413</u>
MCCOA - Allocation to Senior Services:				
Personnel services	110,493	77,269	33,224	88,444
Supplies	1,600	1,169	431	881
Other charges and services	3,680	2,748	932	3,030
Total MCCOA - Allocation to Senior Services	<u>115,773</u>	<u>81,186</u>	<u>34,587</u>	<u>92,355</u>

**City of Marquette, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2005

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005			2004
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>MCCOA - Allocation to Match Grants:</b>				
Personnel services	\$ 32,214	\$ 19,872	\$ 12,342	\$ 23,578
Supplies	340	260	80	308
Other charges and services	1,380	816	564	1,234
Total MCCOA - Allocation to Match Grants	33,934	20,948	12,986	25,120
<b>TOTAL SOCIAL SERVICES</b>	<b>359,714</b>	<b>296,117</b>	<b>63,597</b>	<b>329,804</b>
<b>RECREATION AND CULTURE:</b>				
Parks and Recreation Administration:				
Personnel services	245,172	263,704	(18,532)	242,334
Supplies	20,455	16,427	4,028	29,102
Other services and charges	118,929	178,294	(59,365)	61,641
Capital outlay	-	-	-	-
Total Parks and Recreation Administration	384,556	458,425	(73,869)	333,077
Shiras Pool:				
Personnel services	16,148	16,490	(342)	14,463
Supplies	10,925	3,265	7,660	3,530
Other services and charges	8,100	6,913	1,187	9,240
Total Shiras Pool	35,173	26,668	8,505	27,233
<b>TOTAL RECREATION AND CULTURE</b>	<b>419,729</b>	<b>485,093</b>	<b>(65,364)</b>	<b>360,310</b>
<b>SPECIAL ASSESSMENTS:</b>				
Other Services and charges	-	-	-	24,847
<b>TOTAL SPECIAL ASSESSMENTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,847</b>
<b>DEBT SERVICE:</b>				
Principal payments	76,265	76,265	-	72,229
Interest payments	26,920	26,918	2	30,558
<b>TOTAL DEBT SERVICE</b>	<b>103,185</b>	<b>103,183</b>	<b>2</b>	<b>102,787</b>
<b>TOTAL EXPENDITURES</b>	<b>18,673,438</b>	<b>18,253,929</b>	<b>419,509</b>	<b>12,798,227</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,506,127)</b>	<b>(2,696,638)</b>	<b>(190,511)</b>	<b>1,274,513</b>

**City of Marquette, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2005

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005			2004
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of debt	\$ 5,000,000	\$ 5,000,000	\$ -	\$ -
Transfers In:				
Major Street Fund	-	-	-	529,956
Cemetery Trust Fund	18,000	9,139	(8,861)	17,760
Total Operating Transfers In	18,000	9,139	(8,861)	547,716
Transfers (Out):				
Major Street Fund	(841,775)	(309,761)	532,014	-
Local Street Fund	(625,641)	(682,098)	(56,457)	(682,874)
MSHDA Homeowner Repair Fund	-	(31,330)	(31,330)	-
Lakeview Arena Fund	(250,373)	(242,281)	8,092	(257,723)
1998 Building Authority Lakeview Arena Debt Fund	(127,490)	(127,487)	3	(127,688)
Spring Street Debt Fund	(82,874)	(82,873)	1	-
Founders Landing Debt Fund	(622,061)	(300,727)	321,334	-
Construction Fund	(442,622)	(10,528)	432,094	(262,157)
Intermodal Transportation Terminal Fund	-	(379,951)	(379,951)	-
Marina Fund	(74,797)	(40,565)	34,232	(152,446)
Total Transfers (Out)	(3,067,633)	(2,207,601)	860,032	(1,482,888)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,950,367</b>	<b>2,801,538</b>	<b>851,171</b>	<b>(935,172)</b>
 <b>CHANGE IN FUND BALANCE</b>	 <b>(555,760)</b>	 <b>104,900</b>	 <b>660,660</b>	 <b>339,341</b>
Fund balance, beginning of year	4,035,455	4,035,455	-	3,696,114
 <b>FUND BALANCE, END OF YEAR</b>	 <b>\$ 3,479,695</b>	 <b>\$ 4,140,355</b>	 <b>\$ 660,660</b>	 <b>\$ 4,035,455</b>

**City of Marquette, Michigan**  
**MAJOR STREET AND TRUNKLINE FUND**  
**COMPARATIVE BALANCE SHEET**  
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Due from State	\$ 160,826	\$ 176,963
<b>TOTAL ASSETS</b>	<u>\$ 160,826</u>	<u>\$ 176,963</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 5,416	\$ 6,251
Due to other funds	<u>155,410</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>160,826</u>	<u>6,251</u>
Fund Balance	<u>-</u>	<u>170,712</u>
<b>TOTAL FUND BALANCE</b>	<u>-</u>	<u>170,712</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 160,826</u>	<u>\$ 176,963</u>

**City of Marquette, Michigan**

**MAJOR STREET AND TRUNKLINE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2005  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005		2004	
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>REVENUES:</b>				
State sources	\$ 1,200,750	\$ 1,212,351	\$ 11,601	\$ 1,464,257
<b>TOTAL REVENUES</b>	<u>1,200,750</u>	<u>1,212,351</u>	<u>11,601</u>	<u>1,464,257</u>
<b>EXPENDITURES:</b>				
Highways, Streets and Bridges:				
Routine maintenance	392,231	383,208	9,023	307,755
Winter maintenance	558,080	537,861	20,219	493,093
State trunkline	107,840	108,692	(852)	97,679
Administration	268,795	260,457	8,338	267,431
Total Highways, Streets and Bridges	<u>1,326,946</u>	<u>1,290,218</u>	<u>36,728</u>	<u>1,165,958</u>
Capital Outlay - Construction:				
Construction	372,900	4,193	368,707	-
Total Capital Outlay - Construction	<u>372,900</u>	<u>4,193</u>	<u>368,707</u>	<u>-</u>
Debt Service:				
Principal retirement	279,900	279,899	1	266,355
Interest and fiscal charges	64,150	64,149	1	75,896
Total Debt Service	<u>344,050</u>	<u>344,048</u>	<u>2</u>	<u>342,251</u>
<b>TOTAL EXPENDITURES</b>	<u>2,043,896</u>	<u>1,638,459</u>	<u>405,437</u>	<u>1,508,209</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(843,146)</u>	<u>(426,108)</u>	<u>417,038</u>	<u>(43,952)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in:				
General Fund	841,775	309,761	(532,014)	-
Construction Fund	-	-	-	744,620
Transfers (out):				
General Fund	-	-	-	(529,956)
Construction Fund	-	(54,365)	(54,365)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>841,775</u>	<u>255,396</u>	<u>(586,379)</u>	<u>214,664</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(1,371)</u>	<u>(170,712)</u>	<u>(169,341)</u>	<u>170,712</u>
Fund balance, beginning of year	<u>170,712</u>	<u>170,712</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 169,341</u>	<u>\$ -</u>	<u>\$ (169,341)</u>	<u>\$ 170,712</u>

**City of Marquette, Michigan**  
**LOCAL STREET FUND**  
**COMPARATIVE BALANCE SHEET**  
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Due from State	\$ 119,998	\$ 60,545
<b>TOTAL ASSETS</b>	<u>\$ 119,998</u>	<u>\$ 60,545</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 1,362	\$ 495
Due to other funds	<u>118,636</u>	<u>60,050</u>
<b>TOTAL LIABILITIES</b>	<u>119,998</u>	<u>60,545</u>
 Fund Balance	<u>-</u>	<u>-</u>
<b>TOTAL FUND BALANCE</b>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 119,998</u>	<u>\$ 60,545</u>

**City of Marquette, Michigan**

**LOCAL STREET FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2005  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005			2004
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>REVENUES:</b>				
State sources	\$ 657,000	\$ 585,853	\$ (71,147)	\$ 575,373
<b>TOTAL REVENUES</b>	<b>657,000</b>	<b>585,853</b>	<b>(71,147)</b>	<b>575,373</b>
<b>EXPENDITURES:</b>				
Highways, Streets and Bridges:				
Routine maintenance	421,744	410,225	11,519	350,348
Winter maintenance	556,620	556,620	-	553,233
Administration	260,936	263,424	(2,488)	261,172
Total Highways, Streets and Bridges	1,239,300	1,230,269	9,031	1,164,753
Capital Outlay - Construction:				
Construction	6,560	682	5,878	274
Total Capital Outlay - Construction	6,560	682	5,878	274
Debt Service:				
Principal retirement	30,105	30,101	4	28,645
Interest and fiscal charges	6,900	6,899	1	8,162
Total Debt Service	37,005	37,000	5	36,807
<b>TOTAL EXPENDITURES</b>	<b>1,282,865</b>	<b>1,267,951</b>	<b>14,914</b>	<b>1,201,834</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(625,865)</b>	<b>(682,098)</b>	<b>(56,233)</b>	<b>(626,461)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in- General Fund	625,641	682,098	56,457	682,874
Transfers (out) - Construction Fund	-	-	-	(56,413)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>625,641</b>	<b>682,098</b>	<b>56,457</b>	<b>626,461</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(224)</b>	<b>-</b>	<b>224</b>	<b>-</b>
Fund balance, beginning of year	-	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ (224)</b>	<b>\$ -</b>	<b>\$ 224</b>	<b>\$ -</b>

**City of Marquette, Michigan**  
**CONSTRUCTION FUND**  
**COMPARATIVE BALANCE SHEET**  
 June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 888,552	\$ 2,812,342
Accounts receivable	344,526	344,526
Due from other governments	<u>-</u>	<u>114,873</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,233,078</u></u>	<u><u>\$ 3,271,741</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	<u>\$ 420,069</u>	<u>\$ 235,464</u>
<b>TOTAL LIABILITIES</b>	<u>420,069</u>	<u>235,464</u>
 Fund Balance	<u>813,009</u>	<u>3,036,277</u>
<b>TOTAL FUND BALANCE</b>	<u>813,009</u>	<u>3,036,277</u>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 1,233,078</u></u>	<u><u>\$ 3,271,741</u></u>



**City of Marquette, Michigan**

**CONSTRUCTION FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2005  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

	2005		2004	
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
<b>REVENUES:</b>				
State and Federal sources	\$ 2,348,836	\$ 32,000	\$ (2,316,836)	\$ 1,130,984
Investment income	-	58,079	58,079	20,252
Private sources	443,000	157,474	(285,526)	563,706
<b>TOTAL REVENUES</b>	<b>2,791,836</b>	<b>247,553</b>	<b>(2,544,283)</b>	<b>1,714,942</b>
<b>EXPENDITURES:</b>				
Capital Outlay:				
Public works	3,140,423	2,315,093	825,330	1,538,470
Highways, streets and bridges	5,904,456	220,621	5,683,835	1,648,048
<b>TOTAL EXPENDITURES</b>	<b>9,044,879</b>	<b>2,535,714</b>	<b>6,509,165</b>	<b>3,186,518</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(6,253,043)</b>	<b>(2,288,161)</b>	<b>3,964,882</b>	<b>(1,471,576)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of debt	-	-	-	5,178,100
Transfers in:				
General Fund	530,622	10,528	(520,094)	262,157
Major Street Fund	340,000	54,365	(285,635)	-
Local Street Fund	-	-	-	56,413
Stormwater Utility Fund	1,424,000	-	(1,424,000)	-
Water & Sewer Fund	1,143,000	-	(1,143,000)	-
Transfers (out):				
Major Street Fund	-	-	-	(744,620)
Stormwater Utility Fund	-	-	-	(75,671)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>3,437,622</b>	<b>64,893</b>	<b>(3,372,729)</b>	<b>4,676,379</b>
<b>EXTRAORDINARY ITEM:</b>				
Flood costs	-	-	-	(168,526)
<b>CHANGE IN FUND BALANCE</b>	<b>(2,815,421)</b>	<b>(2,223,268)</b>	<b>592,153</b>	<b>3,036,277</b>
Fund balance, beginning of year	3,036,277	3,036,277	-	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 220,856</b>	<b>\$ 813,009</b>	<b>\$ 592,153</b>	<b>\$ 3,036,277</b>